

**COUNTY OF ADAMS
GETTYSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

COUNTY OF ADAMS
YEAR ENDED DECEMBER 31, 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report on Financial Statements	1-3
Management's Discussion and Analysis	4-20
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements	
Balance Sheet – Governmental Funds	23-24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Fund Net Position – Proprietary Fund	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	29
Statement of Cash Flows – Proprietary Fund	30
Statement of Fiduciary Net Position – Fiduciary Funds	31
Combining Statement of Net Position – Component Unit	32
Combining Statement of Activities – Component Units	33
Notes to Financial Statements	34-81
Required Supplemental Information	
Schedule of Funding Progress – Postemployment Benefits Other than Pensions	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	84
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Children and Youth	85
Other Supplemental Information	
Balance Sheet – Conservation District	87
Statement of Revenues, Expenditures and Changes in Fund Balance – Conservation District	88

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INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Adams
Gettysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the COUNTY OF ADAMS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component units' financial statements for the Adams County Transit Authority and Adams County Housing Authority, which represent 100% of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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County Commissioners
County of Adams
Page 2

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoptions of New GASB's

As described in Note 1 to the financial statements, in 2012 the COUNTY OF ADAMS adopted the remaining provisions of Governmental Accounting Standards Board's Statement No. 57, "OPEB Measurement by Agent Employers and Agent Multi-Employer Plans," the provisions of Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53".

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison schedules of pages 4 through 20 and pages 83, 84, and 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF ADAMS's basic financial statements. The Conservation District fund financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements.

Zelenkofske Axelrod LLC

County Commissioners
County of Adams
Page 3

The Conservation District fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Conservation District fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the COUNTY OF ADAMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF ADAMS's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
October 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2012

The COUNTY OF ADAMS, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY'S financial performance during the years ended December 31, 2011 and December 31, 2012. Please read it in conjunction with the COUNTY'S financial statements that follow this section. Certain reclassifications were made to prior year amounts to conform to the current year presentation.

Financial Highlights:

- Total assessed taxable property values in 2012 were 9,078,016,500. The Library millage rate remained at .1147 mills during 2012. There was an increase of .181 mills relating to the new bond issuance and corresponding radio project. Therefore, resulting in an overall new total County Millage of 3.7328 in 2012.
- County completed operations in 2012 with a net increase in fund balance of \$885,984. The COUNTY'S general fund balance was \$15.8 million with an unassigned portion of \$14.9.
- The COUNTY'S total net position increased by approximately \$4.4 million, which was driven by an increase in revenues for the Business – Type Activity and total revenues and expenses remained consistent with the prior year for Governmental Activities. The increase from the Business - Type Activity is primarily due to the County levying a dedicated tax to debt service to fund the Radio Project.
- The COUNTY showed an increase in unrestricted total net position at year-end of \$3.1 million.
- The County's bond rating remains as A1 at December 31st, 2012.
- The County issued the Series of 2012 Bonds with a principal amount of \$37.135 million. The Bonds were used to refunds the County's outstanding issuances and to fund the 911 radio project.
- The County had \$67,630,283 of general obligation debt outstanding as of December 31, 2012. This represents an increase of \$21.9 million or 48% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

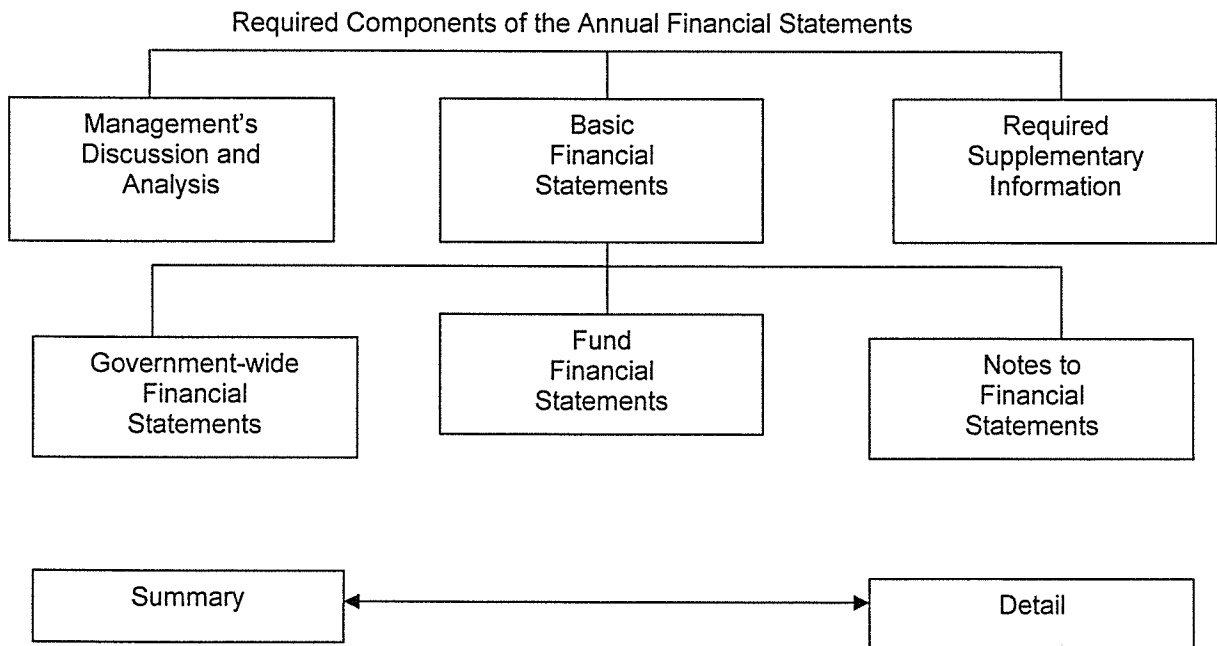
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY'S government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the COUNTY'S budget to actual figures for the general fund and other budgeted major governmental funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

The basic financial statements present two different views of the COUNTY.

- *Government-wide financial statements*, the first two statements, provide information about the COUNTY'S overall financial status as well as the financial status of the County's component units.
- *Fund financial statements*, the remaining statements, focus on individual parts of the COUNTY'S government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the COUNTY operates like a business, such as the emergency 911 telephone fund.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY'S programs.

Table A-1: Organization of the COUNTY'S annual financial report



**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Table A-2 summarizes the major features of the COUNTY'S financial statements, including the area of the COUNTY'S activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the COUNTY, such as public safety and courts	The activities of the COUNTY, such as the COUNTY 911 Fund	Instances in which the COUNTY administers resources on behalf of others
Required Financial Statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balance	-Statement of net position -Statement of revenues, expenses and changes in net position -Statement of cash flows	-Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the COUNTY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the COUNTY'S assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the COUNTY'S net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the COUNTY'S financial position. Over time, increases or decreases in the COUNTY'S net position is one indicator of whether the COUNTY'S financial position is improving or deteriorating. However, other non-financial factors such as changes in the COUNTY'S property tax base and general economic conditions must be considered to assess the overall position of the COUNTY.

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has one discretely presented component unit, the Adams County Housing Authority. (See Note 1, Notes to the Financial Statements.)

There are two categories of activities for the primary government:

- *Governmental activities* include the COUNTY'S basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.
- *Business-type activities* such as the 911 emergency telephone fund charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net Investment in capital assets
 - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position are assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the COUNTY'S most significant funds, not the COUNTY as a whole. Funds are accounting devices, i.e., a group of related accounts, the COUNTY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The COUNTY has three kinds of funds:

- *Governmental funds* include most of the COUNTY'S basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view for the financial resources available in the near future to finance the COUNTY'S programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The COUNTY adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the COUNTY'S general fund and other budgeted major governmental funds is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using full accrual accounting.
- *Fiduciary Funds* are for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the COUNTY in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The COUNTY is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the COUNTY'S government-wide financial statements because the COUNTY cannot use these assets to finance its operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY'S total assets were \$78,521,671 at December 31, 2012. The COUNTY'S deferred outflows of resources totaled \$8,298,933. Of this amount, \$50,315,851 was capital assets.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. In 2007, the COUNTY fully adopted the provisions of GASB No. 34.

Condensed Statement of Net Position

	Governmental activities <u>2011</u>	Governmental activities <u>2012</u>	Changes from <u>2011 to 2012</u>
Capital Assets	\$49,658,002	\$50,315,851	\$657,849
Other Assets	<u>23,513,372</u>	<u>28,205,820</u>	<u>\$4,692,448</u>
	<u>\$73,171,374</u>	<u>\$78,521,671</u>	<u>\$5,350,297</u>
Deferred Outflows of Resources	<u>\$8,554,048</u>	<u>\$8,298,933</u>	<u>\$(255,115)</u>
Current Liabilities	\$ 4,010,303	\$ 6,375,941	\$ 2,365,638
Long-Term Liabilities	<u>53,102,169</u>	<u>53,604,569</u>	<u>502,400</u>
Total Liabilities	<u>\$57,112,472</u>	<u>\$59,980,510</u>	<u>\$2,868,038</u>
Net Position:			
Net Investment in capital assets	\$11,291,237	\$11,493,427	\$202,190
Restricted	3,154,737	3,609,238	454,501
Unrestricted	<u>10,166,976</u>	<u>11,737,429</u>	<u>1,570,453</u>
	<u>\$24,612,950</u>	<u>\$26,840,094</u>	<u>\$2,227,144</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

Condensed Statement of Net Position

	Business-Type activities <u>2011</u>	Business- Type activities <u>2012</u>	Changes from <u>2011 to 2012</u>
Capital Assets	\$4,936,584	\$8,025,037	\$3,088,453
Other Assets	<u>(450,353)</u>	<u>19,613,668</u>	<u>20,064,021</u>
	<u>\$4,486,231</u>	<u>\$27,638,705</u>	<u>\$23,152,474</u>
Current Liabilities	\$ 233,833	\$ 1,413,388	\$1,179,555
Long-Term Liabilities	<u>2,963,257</u>	<u>22,743,049</u>	<u>19,779,792</u>
Liabilities	<u>\$3,197,090</u>	<u>\$24,156,437</u>	<u>\$20,959,347</u>
Net Position:			
Net Investment in capital assets	\$1,857,719	\$2,499,654	\$641,935
Restricted	-	-	-
Unrestricted (Deficit)	<u>(568,578)</u>	<u>982,614</u>	<u>1,551,192</u>
	<u>\$1,289,141</u>	<u>\$3,482,268</u>	<u>\$2,193,127</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Change in Net Position

The following condensed statement of activities represents changes in net position for the year ended December 31, 2011, December 31, 2012 and the changes from 2011 to 2012. It shows revenues by source and expenses by function for governmental activities, business-type activities and the changes from the prior year.

Condensed Statement of Activities

	Governmental activities <u>2011</u>	Governmental activities <u>2012</u>	Changes From <u>2011 to 2012</u>
Program Revenues:			
Charges for Services	\$7,840,809	\$7,599,987	(240,822)
Operating Grants and Contributions	24,467,012	22,745,204	(1,721,808)
Capital Grants and Contributions	-	1,088,202	1,088,202
General Revenues:			
Property Taxes	31,946,213	31,523,240	(422,973)
Property Taxes - Library	36,684	35,266	(1,418)
Per Capita Taxes	338,035	338,921	886
Hotel Taxes	1,299,446	1,474,084	174,638
Unrestricted Investment Earnings	938,080	691,297	(246,783)
Transfers	(1,354,300)	(1,858,740)	(504,440)
General Government Assumes Enterprise Fund General Obligation Debt	(658,116)	-	658,116
Miscellaneous	1,599,229	635,745	(963,484)
	<u>66,453,092</u>	<u>64,273,206</u>	<u>(2,179,886)</u>
Expenses:			
General Government - Administrative	7,063,395	8,368,102	1,304,707
General Government - Judicial	8,249,830	8,565,763	315,933
Public Safety	16,800,410	17,184,343	383,933
Public Works	587,089	325,657	(261,432)
Human Services	22,817,631	21,907,121	(910,510)
Culture and Recreation	1,635,834	1,697,785	61,951
Conservation and Development	3,275,883	2,104,021	(1,171,862)
Debt Service	1,670,677	1,893,270	222,593
	<u>62,100,749</u>	<u>62,046,062</u>	<u>(54,687)</u>
Change in Net Position	4,352,343	2,227,144	(2,125,199)
Net Position – Beginning of the Year	<u>20,260,607</u>	<u>24,612,950</u>	<u>4,352,343</u>
Net Position – End of the Year	<u>\$24,612,950</u>	<u>\$26,840,094</u>	<u>\$2,227,144</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Condensed Statement of Activities

	Business- Type activities <u>2011</u>	Business- Type activities <u>2012</u>	Changes From <u>2011 to 2012</u>
Program Revenues:			
Charges for Services	\$7,155,692	\$1,800,545	(\$5,355,147)
Operating Grants and Contributions	78,624	121,309	42,685
General Revenues:			
Unrestricted Investment Earnings	2,009	12,590	10,581
Net Gain on Asset Disposal	2,148,776	-	(2,148,776)
Property Taxes	-	1,676,617	1,676,617
General Gov. Enterprise Obligation	658,116	-	(658,116)
Transfers	1,354,300	1,858,740	504,440
Miscellaneous	3,100	11,550	8,450
	<u>11,400,617</u>	<u>5,481,351</u>	<u>(5,919,266)</u>
Expenses:			
COUNTY Home	7,985,345	-	(7,985,345)
Emergency 911 System	2,734,068	3,288,224	554,156
	<u>10,719,413</u>	<u>3,288,224</u>	<u>(7,431,189)</u>
Change in Net Position	681,204	2,193,127	1,511,923
Net Position – Beginning of the Year	<u>607,937</u>	<u>1,289,141</u>	<u>681,204</u>
Net Position – End of the Year	<u>\$ 1,289,141</u>	<u>\$3,482,268</u>	<u>\$2,193,127</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2012 property, hotel, and per capita taxes brought in \$35,048,128.

Net Cost of Governmental and Business-type Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program:		
General Government - Administrative	\$8,368,102	\$5,891,349
General Government – Judicial	8,565,763	4,714,120
Public Safety	17,184,343	14,508,004
Public Works	325,657	(1,087,636)
Human Services	21,907,121	2,091,650
Culture and Recreation	1,697,785	1,696,699
Conservation and Development	2,104,021	905,213
Debt Service	1,893,270	1,893,270
Emergency 911 System	<u>3,288,224</u>	<u>1,366,370</u>
Total	<u>\$65,334,286</u>	<u>\$31,979,039</u>

The COUNTY relied on property taxes and other general revenues to fund 49% of its governmental and business-type activities in 2012.

The property tax is based on one-hundred percent of the assessed value of real property. Changes in the assessed valuation affect tax revenues.

Seventy percent of the Administrative system expenses and 55 percent of the judicial system expenses came from property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenues covered 84 percent of public safety costs with the remainder coming from grants and charges for services.

Public works expenses were primarily funded by The Commonwealth Liquid Fuels tax and reimbursements from Penndot for Bridge Improvements. While property taxes and general revenues covered 100 percent of the County's Debt Service payments.

Property tax and other general revenues funded 100 percent the cost of culture and recreation; 10 percent of Human services; and 43 percent of Conservation and development.

The COUNTY'S Emergency 911 System was funded 55 percent by surcharges on phone bills passed through from telephone companies, grant revenues of 4 percent, and 41 percent by the property tax and other general revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Capital Assets

The COUNTY'S investment in capital assets at December 31, 2012, net of accumulated depreciation, was \$58,340,888. Capital assets consist primarily of land, infrastructure, buildings, agricultural easements, and equipment. The following is a summary of capital assets at December 31, 2012:

	Governmental Activities	Business Type Activities	Total
Land	\$896,241	\$51,041	\$947,282
Construction In Process	-	2,597,801	2,597,801
Infrastructure	7,486,218	-	7,486,218
Building and Improvements	48,235,962	5,812,788	54,048,750
Equipment and Vehicles	7,255,625	2,081,968	9,337,593
Agricultural Easements	9,353,933	-	9,353,933
Accumulated Depreciation	(22,912,128)	(2,518,561)	(25,430,689)
Total Net Capital Assets	<u>\$50,315,851</u>	<u>\$8,025,037</u>	<u>\$58,340,888</u>

Detailed information about the COUNTY'S capital assets can be found in Note 5, Notes to the Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Debt Administration

At December 31, 2012, the COUNTY had \$67,630,283 of debt outstanding, excluding compensated absences. Debt increased 48% from the previous year. The following is a summary of general obligation bonds, notes, and other liabilities for the 2012 year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds and Note Payable:				
General obligation bonded debt	\$41,261,709	\$19,455,234	(\$16,935,287)	\$43,781,656
Guaranteed revenue bonds	1,094,736	-	(171,046)	923,690
Loan payable	254,855	-	(93,262)	161,593
Plus: Bond Premium	-	434,826	(17,394)	417,432
Less: Bond Discount	(9,881)	-	9,881	-
Total Bonds and Note Payable:	42,601,419	19,890,060	(\$17,207,108)	45,284,371
Other Long Term Liabilities:				
Compensated absences	898,677	62,042	-	960,719
Total Other Liabilities	898,677	62,042	-	960,719
Governmental Activities:				
Long-Term Liabilities	\$43,500,096	\$19,952,102	(\$17,207,108)	\$46,245,090
Business-Type Activities:				
Bonds Payable:				
General Obligation bonded debt	\$ 3,078,865	\$ 21,820,690	(\$2,136,211)	\$ 22,763,344
Plus: Bond Premium	-	619,564	(24,783)	594,781
Total Bonds Payable	3,078,865	22,440,254	(2,160,994)	23,358,125
Other Liabilities:				
Compensated absences	56,142	3,655	-	59,797
Total Other Liabilities	56,142	3,655	-	59,797
Business-Type Activities				
Long-Term Liabilities	\$3,135,007	\$22,443,909	(\$2,160,994)	\$23,417,922

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

GOVERNMENTAL FUNDS

The COUNTY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the COUNTY'S financing requirements. In particular, unassigned fund balance may serve as a useful measure of the COUNTY'S net resources available for spending at the end of the year.

The COUNTY'S governmental funds include the general fund, special revenue funds, capital project funds, and the debt service funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. Debt service funds account for the payment of principle and interest on debt. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2011, and December 31, 2012, were as follows:

	<u>2011</u>	<u>2012</u>	<u>Changes from 2011 to 2012</u>
Revenues:			
Taxes	\$33,239,071	\$33,456,897	\$217,826
Intergovernmental Revenues	24,431,545	23,679,316	(752,229)
Charges for Services	7,375,365	7,175,384	(199,981)
Interest and Rents	133,816	146,969	13,153
Licenses and Permits	91,466	110,679	19,213
Court Costs and Fines	262,252	270,756	8,504
Miscellaneous	1,297,551	768,570	(528,981)
Debt Proceeds	-	4,140,924	4,140,924
Issuance of Refunding Notes	29,658,898	15,314,310	(14,344,588)
Swap Proceeds	494,675	90,582	(404,093)
Bond Premium	-	434,826	434,826
Operating transfers in	13,549,224	7,901,017	(5,648,207)
	<u>\$110,533,863</u>	<u>\$93,490,230</u>	<u>(\$17,043,633)</u>

Intergovernmental Revenues decreased primarily due to \$490,000 less grant revenue for the grant fund, \$500,000 less grant revenue for the Children and Youth Fund, \$120,000 decrease in ARRA grant revenue for judicial programs, and a \$1 million increase in grant revenue in the Liquid Fuels Fund for the construction of a bridge.

Debt Proceeds increased by 4 million because the County drewdown the remaining proceeds from General Obligation Notes Series A and B. See note 9.

The issuance of Refunding Notes decreased by 14.3 million because the amount of debt refunded by the County was less in 2012 than in 2011. The Notes refunded in 2011 were \$29,658,898 of Governmental Activities and \$1,010,102 of Business-Type Activities. Whereas, the Notes refunded in 2012 were \$15,314,310 of Governmental Activities and \$2,077,764 of Business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Operating transfers decreased by 5.6 million in 2012 because in 2011 the County sold the County Home, \$1 million less transfers in to fund the Agricultural Land Preservation Fund, and an increase for subsidies for Children & Youth Services.

Governmental fund revenues totaled over \$93.5 million for the year ended December 31, 2012. This is a decrease of \$17.0 million from 2011.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2011 and December 31, 2012 were as follows:

	<u>2011</u>	<u>2012</u>	<u>Changes from 2011 to 2012</u>
Expenditures			
General government – Administrative	\$ 9,275,919	\$ 10,412,006	\$ 1,136,087
General government – Judicial	7,172,172	7,335,482	163,310
Public Safety	14,786,245	15,283,500	497,255
Public Works	539,938	163,466	(376,472)
Human Services	22,688,967	21,721,651	(967,316)
Culture and Recreation	1,635,834	1,602,776	(33,058)
Conservation and Development	3,033,490	1,950,625	(1,082,865)
Debt Service	33,393,513	19,271,997	(14,121,516)
Capital Outlay	2,118,770	2,282,113	163,343
Operating transfers out	14,719,187	9,766,138	(4,953,049)
	<u>\$109,364,035</u>	<u>\$89,789,754</u>	<u>(\$19,574,281)</u>

General Fund expenditures totaled \$89.8 million for the year ended December 31, 2012. This is a decrease of \$19,574,281 or eighteen percent overall. Expenditures of the governmental funds overall decreased in 2012. In addition, this is the third year in which the Administration did not issue a Tax Revenue Anticipation note, as in prior years.

General Government Administrative shows an increase of 1.1 million primarily due to increased pass through grant expense and increased allocated employee benefit expense.

Human Services expenditures decreased by approximately \$1 million or 4% primarily due to the MATP program was administered by York County in 2012 and less revenue from the Children and Youth Program.

Conservation and Development expenditures decreased by 1 million or 36% because the County utilized the remaining funds identified from the issue of General Obligation Note Series A of 2009 in 2011 and therefore, did not have as much funding available in 2012.

Debt Service decreased by 14.1 million or 42% because the County refunded more debt during 2011 than in 2012 with respect to the Government funds only. At the same time, the County issued General Obligation Bonds, Series of 2012. The bonds refunding was split between governmental activities and Business-Type Activities. See note 9.

Operating transfers out represent a decrease in the Governmental Fund Expenditures for a total 4.9 million or 34%. The decrease is a result of the County closing out the sale of their Nursing Home in 2011; causing the operating transfers-out in 2011 to be higher.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Governmental Fund and Proprietary Net Position Balances

Ending balances for governmental funds and net position for proprietary funds at December 31, 2012 were as follows:

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$15,812,409	\$ -
Children and Youth Fund	-	-
Managed Care Fund	-	-
Capital Projects	2,198,440	-
Other Governmental Funds	3,705,586	-
911 Fund	-	3,482,268
	<hr/>	<hr/>
Total	<u>\$21,716,435</u>	<u>\$3,482,268</u>

The COUNTY of Adams reported a total governmental fund balance for all funds of \$21.7 million at December 31, 2012, an increase of \$3.7 million from December 31, 2011. Unreserved cash carry forward was recognized as a starting balance for the 2013 budget. These reserves are discretionary and will be kept relatively strong to offset any unforeseen or unexpected expenditures.

General Fund Budgetary Highlights

In general the budget modifications during the year are primarily reclassifications from one line item to another justified to the Board of Commissioners.

During 2012 a total variance of approximately seven-hundred thousand is primarily due to an increase in Intergovernmental Revenues and Charges for Services because we received more revenue than was budgeted. The County budgets their tax revenue at a 96% collection rate and during 2012 they collected less than budgeted amount.

Because the COUNTY operates several special revenue funds along with the general operating fund, reimbursement transactions from special revenue funds to the general fund are executed on a monthly basis. Reimbursements from the special revenue funds to the general fund represent repayments to the general fund for categorical expenditures disbursed from the general fund.

In comparing actual expenditures to the final budget, an unfavorable variance of one million dollars exists due to expenditures typically recorded in the general operating fund and moved to a special revenue fund by year-end did not occur during 2012.

General Government Administration is approximately eight-hundred thousand dollars over-budget due to various pass through grants that had not been anticipated and therefore, not budgeted. Also, contributing is additional closing cost related to an escrow account as a result of the sale of the nursing home from 2011.

Conservation and Development is under budget by approximately nine-hundred thousand as a result of less actual program expenditures during 2012. In addition, the County moves the expenditures from the General Fund to the Special Revenue Fund therefore, not budgeted.

Transfers-in exceed the budget amount by approximately \$1.9 million due to a final draw-down of the remaining balances from General Obligation Series Note A & B. This issue was refunded during 2012. Transfers-Out increased by \$850 thousand due to a transfer out to the debt service fund as a result of the General Obligation Bonds, Series of 2012 refunding.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Economic Conditions

Specific key economic factors affecting the County include the following:

- Human services remain available to the residents, however, the County is experiencing a greater demand for services.
- Its ability to bring in new employers and keep the young professionals working and living here.
- Building a broadband infrastructure to attract employers

In General

Tourism in Adams County remained steady in 2012 with statistics showing 3 million for visitation, 605 million in spending; tourism employment at 7,260; and Annual Tourism Revenue of 116 million. For the 150th Anniversary of the Battle of Gettysburg, there were approximately 235,000 tourists between June 28, 2013 and July 7, 2013.

Additionally the County is moving forward with an Economic visioning process that develops our various municipal strengths with regards to job attraction. This plan is due out within the next 18 months.

The County ended the year with a 6.2 percent unemployment rate, down from 2011. Manufacturing however, is now the leading industry in terms of employment, 20 percent of Adams' workforce. Health Care and Social Assistance is next with Agriculture rounding out the top five.

The County's internal structure continues to experience increases in demand for services caused by the decade of growth. To improve and strengthen operations, the County has consolidated some of its services and programs beginning with Tax services and the Planning Commission. Along with moving administrative services together has proved to present a more cohesive organization.

This growth will continue to demand management to evaluate staffing, space and equipment needs on an ongoing basis. In addition, The County continues to utilize the guidance of the 2008 GFOA study with recommendations to implement and update strategic long range planning.

Market Impact on Investment Income

As in previous years, Adams County continues to invest, although the interest rates have not improved much. Most of the COUNTY'S investment income is generated by the investment of the COUNTY'S reserve funds. During 2012 the County received \$90,581 from their 2005 Basis Swap arrangement with Wachovia. This is an increase from 2011 of \$9,311 and year to date the County has netted \$281,904. See note 10 in the financial statements.

Government Funding

The County continues to manage the gradual decreases of intergovernmental funding and internal funds to meet our Human Services needs as mandated. Accordingly, the County is constantly re-evaluating their General Fund budget and the projects which are budgeted and planned for.

Personnel Costs

The County's Human Resources department diligently pursues evaluation of processes and compensation policies. The County has three bargaining units; two with the Courts and one with the County Corrections Facility. The Board of Commissioners strives to maintain personnel costs and take a critical analytical approach to vacancies. Adams County strives to be prudent while remaining competitive in the market.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

Cost Containment

The County bid out a plan in 2008 which resulted in an agreement with GFOA (Government Finance Officers Association) and continues to be committed and dedicated to a new Adams County.

During 2012 they continued moving forward with long term financial planning strategies. For example, the County has reviewed various processes and tools for staff and management to carry out more efficient operations within the County, resulting in improved services to our citizens. In addition, they have revamped their budget process focusing on available revenues, increased fees, and additional department consolidations.

Finally, the County Manager oversees' day to day operations of the County. The County Manager provides guidance and direction for the senior managers. The Manager supports networking and educational and informational platforms as resources that are utilized by the Senior Managers and the Board of Commissioners.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the COUNTY'S finances and to demonstrate the COUNTY'S accountability. Questions concerning this financial information or requests for additional information should be directed to:

COUNTY of Adams
Melissa C. Devlin
Finance Director
111 Baltimore Street
Gettysburg, PA 17325

Phone: 717-337-9849
Fax: 717-334-2091

COUNTY OF ADAMS
STATEMENT OF NET POSITION
DECEMBER 31, 2012

Assets	Primary Government			Component Unit
	Governmental Activities	Business-type Activity	Total	
Cash and Cash Equivalents	\$ 15,429,358	\$ 1,403,877	\$ 16,833,235	\$ 361,542
Tenant Security Deposits	-	-	-	6,216
Investments	2,046,597	-	2,046,597	-
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)				
Accounts	1,107,152	55,128	1,162,280	21,313
Taxes	1,550,886	-	1,550,886	-
Notes Receivable	447,139	-	447,139	397,683
Due From Other Governments	2,144,743	-	2,144,743	-
Internal Balances	1,535	(1,535)	-	-
Accrued Interest Receivable	-	-	-	96
Deferred Charges	340,760	289,624	630,384	-
Deferred Loss on Refunding	177,192	33,832	211,024	-
Other Assets	501,149	-	501,149	1,338,315
Restricted Assets				
Cash for Workers' Compensation	42,373	-	42,373	-
Cash for Program Purposes	208,984	-	208,984	-
Cash Held in Escrow	1,226,868	-	1,226,868	-
Cash for Debt Service	44,759	-	44,759	-
Cash for Construction	2,342,863	15,332,742	17,675,605	-
Cash for Stream & Watershed Preservation	32,405	-	32,405	-
Cash for Housing Reserve for Replacement & Other	-	-	-	332,157
Investments for Debt Service	150,000	-	150,000	-
Investments for Stream & Watershed Preservation	411,057	-	411,057	-
Investments for Construction	-	2,500,000	2,500,000	-
Assets Held for Sale	-	-	-	139,900
Capital Assets, Not Being Depreciated	10,250,174	2,648,842	12,899,016	200,852
Capital Assets Being Depreciated, Net	40,065,677	5,376,195	45,441,872	2,518,799
Total Assets	78,521,671	27,638,705	106,160,376	5,316,873
<u>Deferred Outflows of Resources</u>				
Accumulated decrease in fair value of hedging derivative	8,298,933	-	8,298,933	-
<u>Liabilities</u>				
Liabilities				
Accounts Payable	1,116,845	594,194	1,711,039	12,596
Accrued Liabilities	1,374,688	42,692	1,417,380	29,813
Due to Tenants- Security Deposits	-	-	-	6,216
Accrued Interest Payable	62,711	101,629	164,340	8,052
Unearned Revenues	768,070	-	768,070	60,450
Funds Held in Escrow	1,042,317	-	1,042,317	-
Estimated Workers' Compensation Claims	15,449	-	15,449	-
Long Term Liabilities:				
Due within one year				
General Obligation Debt	1,859,911	650,090	2,510,001	-
Guaranteed Revenue Bonds	55,295	-	55,295	-
Loans Payable	63,262	-	63,262	-
Bond Premium	17,393	24,783	42,176	-
Accrued Compensated Absences	-	-	-	2,634
Mortgages	-	-	-	1,504,016
Due in more than one year				
General Obligation Debt	41,921,745	22,113,254	64,034,999	-
Guaranteed Revenue Bonds	868,395	-	868,395	-
Loans Payable	98,331	-	98,331	-
Bond Premium	400,039	569,998	970,037	-
Accrued Compensated Absences	960,719	59,797	1,020,516	23,719
Fixed Pay Swap Liability	8,298,933	-	8,298,933	-
Upfront Payment (Borrowing)	920,838	-	920,838	-
Mortgages	-	-	-	2,632,462
Other	-	-	-	37,585
Unfunded Other Postemployment Benefits	135,569	-	135,569	-
Total Liabilities	59,980,510	24,156,437	84,136,947	4,317,543
<u>Net Position</u>				
Net Position				
Net Investment in Capital Assets	11,493,427	2,499,654	13,993,081	58,566
Restricted	3,609,238	-	3,609,238	294,572
Unrestricted	11,737,429	982,614	12,720,043	646,192
Total Net Position	\$ 26,840,094	\$ 3,482,268	\$ 30,322,362	\$ 999,330

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	
Primary government:							
Governmental activities:							
General Government - Admin	\$ 10,908,706	\$ 1,601,817	\$ 874,936	\$ -	\$ (5,891,349)	\$ -	\$ (5,891,349)
General Government - Judicial	7,420,851	2,280,873	1,570,770	-	(4,714,120)	-	(4,714,120)
Public Safety	16,295,245	2,206,816	469,523	-	(14,508,004)	-	(14,508,004)
Public Works	283,249	-	325,091	1,088,202	1,087,636	-	1,087,636
Human Services	21,722,416	852,372	18,963,099	-	(2,091,650)	-	(2,091,650)
Culture and Recreation	1,697,785	-	1,086	-	(1,696,699)	-	(1,696,699)
Conservation and Development	1,950,625	658,109	540,659	-	(905,213)	-	(905,213)
Interest on Debt Service	1,893,270	-	-	-	(1,893,270)	-	(1,893,270)
Total governmental activities	<u>62,172,147</u>	<u>7,559,987</u>	<u>22,745,204</u>	<u>1,088,202</u>	<u>(30,612,669)</u>	<u>-</u>	<u>(30,612,669)</u>
Business-type activity:							
Public Safety	3,162,139	1,800,545	121,309	-	(1,366,370)	-	(1,366,370)
Total business-type activities	<u>3,162,139</u>	<u>1,800,545</u>	<u>121,309</u>	<u>-</u>	<u>(1,366,370)</u>	<u>-</u>	<u>(1,366,370)</u>
Total Primary government	<u>\$ 65,334,286</u>	<u>\$ 9,400,532</u>	<u>\$ 22,866,513</u>	<u>\$ 1,088,202</u>	<u>(30,612,669)</u>	<u>(1,366,370)</u>	<u>(31,979,039)</u>
Component Units							
Adams County Transportation Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adams County Housing Authority	4,175,382	414,909	3,458,456	-	-	-	(302,017)
Total Component Units	<u>\$ 4,175,382</u>	<u>\$ 414,909</u>	<u>\$ 3,458,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(302,017)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					31,523,240		31,523,240
Property taxes, levied for capital purposes					35,266	1,676,617	1,711,883
Property taxes, levied for library					-	-	-
Per capita taxes					338,921	-	338,921
Hotel taxes					1,474,084	-	1,474,084
Unrestricted investment earnings					691,297	12,590	703,887
Miscellaneous					635,745	11,550	647,295
Net Loss on Asset Disposals					-	-	-
Transfer to York County Transportation Authority					-	-	-
Transfers					(1,858,740)	1,858,740	-
Total general revenues and transfers					<u>32,839,813</u>	<u>3,539,497</u>	<u>36,399,310</u>
Change in net position					2,227,144	2,193,127	4,420,271
Net position - beginning					24,612,950	1,289,141	25,902,091
Net position - ending					<u>\$ 26,840,094</u>	<u>\$ 3,482,268</u>	<u>\$ 30,322,362</u>

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Children & Youth</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 12,312,148	\$ 21,327	\$ -	\$ 3,095,883	\$ 15,429,358
Investments	1,241,331	-	-	283,397	1,524,728
Receivables					
Accounts, net	1,063,602	3,384	-	40,166	1,107,152
Taxes	1,550,886	-	-	-	1,550,886
Notes Receivable	-	-	-	447,139	447,139
Due From Other Funds	1,873,116	-	-	-	1,873,116
Due From Other Governments	243,762	1,446,532	-	454,449	2,144,743
Other Assets	501,149	-	-	-	501,149
Restricted Assets					
Cash for Workers' Compensation	42,373	-	-	-	42,373
Cash Held in Escrow	1,226,868	-	-	-	1,226,868
Cash for Debt Service	-	-	-	44,759	44,759
Cash for Program Purposes	208,984	-	-	-	208,984
Cash for Construction	-	-	2,342,863	-	2,342,863
Cash for Stream & Watershed Preservation	-	-	-	32,405	32,405
Investments for Debt Service	-	-	-	150,000	150,000
Investments for Stream & Watershed Preservation	-	-	-	411,057	411,057
Total Assets	\$ 20,264,219	\$ 1,471,243	\$ 2,342,863	\$ 4,959,255	\$ 29,037,580

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	General	Children & Youth	Capital Projects	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 709,097	\$ 276,585	\$ 55,866	\$ 75,297	\$ 1,116,845
Accrued Liabilities	1,304,756	68,131	-	1,801	1,374,688
Deferred Revenues	1,182,151	-	-	718,114	1,900,265
Due to Other Funds	198,040	1,126,527	88,557	458,457	1,871,581
Funds Held in Escrow	1,042,317	-	-	-	1,042,317
Estimated Workers' Compensation Claims	15,449	-	-	-	15,449
Total Liabilities	4,451,810	1,471,243	144,423	1,253,669	7,321,145
Fund Balances (Deficit)					
Fund Balances	901,806	-	-	96,348	998,154
Nonspendable	-	-	2,198,440	3,609,238	5,807,678
Restricted	14,910,603	-	-	-	14,910,603
Unassigned	15,812,409	-	2,198,440	3,705,586	21,716,435
Total Fund Balances (Deficit)	20,264,219	1,471,243	2,342,863	4,959,255	29,037,580

COUNTY OF ADAMS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances for governmental funds \$ 21,716,435

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Those assets consist of:

Land	896,241	
Agricultural Easements	9,353,933	
Infrastructure, net of \$3,323,530 accumulated depreciation	4,162,688	
Buildings and improvements, net of \$13,427,807 accumulated depreciation	34,808,155	
Equipment and vehicles, net of \$6,160,791 accumulated depreciation	<u>1,094,834</u>	
Total Capital Assets		50,315,851

Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

1,132,195

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term - are reported in the statement of net position.

Balances at December 31, 2012 are:

Accrued interest on bonds	(62,711)	
General obligation debt	(43,781,656)	
Guaranteed Revenue Bonds	(923,690)	
Loans Payable	(161,593)	
Compensated absences	(960,719)	
Deferred amount of bond issuance costs	340,760	
Deferred loss	177,192	
Deferred inflow of resources	8,298,933	
Fixed Pay Swap Liability	(8,298,933)	
Upfront Payment	(920,838)	
Investment Derivative	521,869	
Liability for Other Postemployment Benefits	(135,569)	
Bond Premium	<u>(417,432)</u>	
		(46,324,387)

Total net position of governmental activities

\$ 26,840,094

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Children & Youth	Capital Projects	Managed Care	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 31,982,813	\$ -	\$ -	\$ -	\$ 1,474,084	\$ 33,456,897
Intergovernmental Revenues	2,320,633	5,526,959	-	12,973,083	2,858,641	23,679,316
Charges for Services	5,851,948	-	-	-	1,323,436	7,175,384
Interest and Rents	80,281	729	2,255	-	63,704	146,969
License and Permits	110,679	-	-	-	-	110,679
Court Costs and Fines	270,756	-	-	-	-	270,756
Miscellaneous	635,745	88,812	-	-	44,013	768,570
Total Revenues	41,252,855	5,616,500	2,255	12,973,083	5,763,878	65,608,571
Expenditures						
Current:						
General Government - Administrative	10,045,060	-	366,586	-	360	10,412,006
General Government - Judicial	6,978,291	-	-	-	357,191	7,335,482
Public Safety	14,971,729	-	-	-	311,771	15,283,500
Public Works	163,466	-	-	-	-	163,466
Human Services	725,595	7,688,586	-	12,973,083	334,387	21,721,651
Culture and Recreation	443,837	-	-	-	1,158,939	1,602,776
Conservation and Development	893,254	-	-	-	1,057,371	1,950,625
Debt Service	-	-	15,483,735	-	1,715,860	17,199,595
Principal	869,428	-	53,667	-	1,149,307	2,072,402
Interest	647,365	-	235,859	-	1,398,889	2,282,113
Capital Outlay	-	-	-	-	-	-
Total Expenditures	35,738,025	7,688,586	16,139,847	12,973,083	7,484,075	80,023,616
Excess of Revenues Over (Under) Expenditures	5,514,830	(2,072,086)	(16,137,592)	-	(1,720,197)	(14,415,045)
Other Financing Sources (Uses)						
Operating Transfer In	2,471,152	2,072,086	-	-	3,357,779	7,901,017
Operating Transfer (Out)	(7,190,580)	-	(1,479,115)	-	(1,096,443)	(9,766,138)
Issuance of refunding of bonds	-	-	15,314,310	-	-	15,314,310
Issuance of debt	-	-	4,140,924	-	-	4,140,924
Bond Premium	-	-	434,826	-	-	434,826
Swap Proceeds	90,582	-	-	-	-	90,582
Total Other Financing Sources (Uses)	(4,628,846)	2,072,086	18,410,945	-	2,261,336	18,115,521
Net change in fund balances	885,984	-	2,273,353	-	541,139	3,700,476
Fund Balances - Beginning of Year (deficit)	14,926,425	-	(74,913)	-	3,164,447	18,015,959
Fund Balances - End of Year	\$ 15,812,409	\$ -	\$ 2,198,440	\$ -	\$ 3,705,586	\$ 21,716,435

The accompanying notes are in integral part of the financial statements

COUNTY OF ADAMS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds		\$ 3,700,476
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,282,113) exceeded depreciation (\$1,624,264).</p>		
	657,849	
<p>Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principle is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Issuance of debt	(4,140,924)	
Issuance of refunding bonds	(15,314,310)	
Payments to redeem notes and bonds	15,483,735	
Principal repayments:		
General obligation debt	1,715,860	
Net Adjustment:		(2,255,639)
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.</p>		
Compensated absences	(62,042)	
Liability for Other Postemployment Benefits	(46,082)	
Accrued interest on bonds	(5,573)	
Investment Gain from Derivative Instrument	518,179	
Amortization of issuance costs	55,483	
Amortization of Deferred Loss	177,192	
Amortization of bond premium	(417,432)	
Amortization of bond discount	(9,881)	
Combined Adjustment:		209,844
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/11 to 12/31/12.</p>		
		(85,386)
Change in net position of governmental activities		\$ 2,227,144

COUNTY OF ADAMS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2012

		<u>911</u> <u>Fund</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	1,403,877
Accounts Receivable		55,128
Restricted Cash and Cash Equivalents		15,332,742
Restricted Investment		<u>2,500,000</u>
Total current assets		<u>19,291,747</u>
Deferred Loss on Refunding		33,832
Deferred Charges		289,624
Capital Assets, Not Being Depreciated		2,648,842
Capital Assets, Being Depreciated, (Net)		<u>5,376,195</u>
Total noncurrent assets		<u>8,348,493</u>
Total assets	\$	<u><u>27,640,240</u></u>
LIABILITIES		
Current liabilities:		
Accounts Payable	\$	594,194
Accrued Liabilities		42,692
Accrued Interest Payable		101,629
Due to Other Funds		1,535
Current Portion of Bond Premium		24,783
Current Portion of Long Term Debt		<u>650,090</u>
Total current liabilities		<u>1,414,923</u>
Noncurrent liabilities:		
Accrued Compensated Absences		59,797
Bond Premium		569,998
Noncurrent Portion of Long Term Debt		<u>22,113,254</u>
Total noncurrent liabilities		<u>22,743,049</u>
Total liabilities		<u>24,157,972</u>
Net Position		
Net Investment in Capital Assets		2,499,654
Unrestricted		<u>982,614</u>
Total Net Position	\$	<u><u>3,482,268</u></u>

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2012

	<u>911 Fund</u>
Operating Revenues	
Charges for Services	\$ 1,800,545
Total Operating Revenues	<u>1,800,545</u>
Operating Expenses	
Personnel Services	956,824
Contracted Services	437,380
Supplies and Materials	33,266
Utilities	60,023
Other Services and Charges	1,037,819
Depreciation	<u>223,293</u>
Total Operating Expenses	<u>2,748,605</u>
Operating Loss	<u>(948,060)</u>
Nonoperating Revenues (Expenses)	
Interest Income	12,590
Property Taxes	1,676,617
Grant	121,309
Miscellaneous Income	11,550
Interest Expense	<u>(546,000)</u>
Total Nonoperating Revenues (Expenses)	1,276,066
Income Before Transfers	328,006
Transfers In	<u>1,865,121</u>
Change in Net Position	2,193,127
Net Position - Beginning of Year	<u>1,289,141</u>
Net Position - End of Year	<u><u>\$ 3,482,268</u></u>

COUNTY OF ADAMS
STATEMENT OF CASH FLOW
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>911 Fund</u>
Cash Flows From Operating Activities	
Receipts from Emergency Communications Services	1,845,012
Payments to Employees	(953,169)
Payments to Suppliers	(984,450)
Internal Activity - payments to other funds	<u>(624,430)</u>
Net Cash Used in Operating Activities	<u>(717,037)</u>
Cash Flows from Noncapital Financing Activities	
Operating Transfers In	1,865,121
Grant	121,309
Miscellaneous Income	<u>11,550</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,997,980</u>
Cash Flows from Capital and Related Financing Activities	
Bond proceeds	20,014,252
Property Tax Revenue	1,676,617
Principle Payments on General Obligation Debt	(58,448)
Interest Payments	(451,377)
Purchases of capital assets	<u>(3,311,746)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>17,869,298</u>
Cash Flows from Investing Activities	
Purchase of investment	(2,500,000)
Interest	<u>12,590</u>
Net Cash Used in Investing Activities	<u>(2,487,410)</u>
Net Increase in Cash and Cash Equivalents	16,662,831
Cash and Cash Equivalents, Beginning of Year	<u>73,788</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,736,619</u>
Displayed as:	
Cash and cash equivalents	\$ 1,403,877
Restricted cash	<u>15,332,742</u>
	<u>\$ 16,736,619</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating Loss	\$ (948,060)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation	223,293
Change in assets and liabilities	
Account Receivable	44,467
Other Assets	2,229
Accounts Payable	577,831
Accrued Liabilities	3,978
Accrued Compensated Absences	3,655
Due to Other Funds	<u>(624,430)</u>
Net cash used in operating activities	<u>\$ (717,037)</u>

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

<u>Assets</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	<u>\$ 2,427,641</u>
Total Assets	<u>\$ 2,427,641</u>
 <u>Liabilities</u>	
Liabilities	
Due to Other Governments	<u>2,427,641</u>
Total Liabilities	<u>\$ 2,427,641</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF ADAMS
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNIT
 June 30, 2012

	Adams County Housing <u>Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 361,542
Tenant Security Deposits	6,216
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)	
Accounts	21,313
Notes Receivable	397,683
Accrued Interest Receivable	96
Other Assets	1,338,315
Restricted Assets	
Cash for Housing Reserve for Replacement & Other	332,157
Assets Held for Sale	139,900
Capital Assets, Not Being Depreciated	200,852
Capital Assets Being Depreciated, Net	<u>2,518,799</u>
Total Assets	<u>\$ 5,316,873</u>
<u>Liabilities</u>	
Liabilities	
Accounts Payable	\$ 12,596
Accrued Liabilities	29,813
Due to Commonwealth of Pennsylvania	-
Due to Tenants- Security Deposits	6,216
Accrued Interest Payable	8,052
Unearned Revenues	60,450
Long-Term Liabilities	
Due within one year	
Accrued Compensated Absences	2,634
Mortgages	1,504,016
Due in more than one year	
Accrued Compensated Absences	23,719
Mortgages	2,632,462
Other	<u>37,585</u>
Total Liabilities	<u>4,317,543</u>
<u>Net Position</u>	
Net Position	
Net Investment in Capital Assets	58,566
Restricted for:	
Rural Development	176,532
Housing Choice Voucher Program	118,040
Unrestricted	646,192
Total Net Position	<u>\$ 999,330</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF ADAMS
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues	Operating Grants and Contributions	Capital Grants and Contributions	Adams County Transit Authority	Adams County Housing Authority	Total	
Adams County Transit Authority							
Human Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adams County Housing Authority							
Housing Authority Operations	4,175,382	3,458,456	-	-	(302,017)	(302,017)	(302,017)
Total business-type activities	4,175,382	3,458,456	-	-	(302,017)	(302,017)	(302,017)
Total Component Units	\$ 4,175,382	\$ 3,458,456	\$ -	\$ -	\$ (302,017)	\$ (302,017)	\$ (302,017)
General revenues:							
Unrestricted investment earnings					2,558	2,558	2,558
Net Loss on Asset Disposals					(20,661)	(20,661)	(20,661)
Transfer to York County Transportation Authority				(2,666,849)	-	(2,666,849)	(2,666,849)
Total general revenues, transfers				(2,666,849)	(18,103)	(2,684,952)	(2,684,952)
Change in net position				(2,666,849)	(320,120)	(2,986,969)	(2,986,969)
Net position - beginning					1,319,450	3,986,299	3,986,299
Net position - ending					\$ 999,330	\$ 999,330	\$ 999,330

The accompanying notes are an integral part of the financial statements.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Adams (the "County") is a fifth Class County that was formed on March 26, 1804. The County operates under the direction of an elected Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, and human services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

A summary of the County's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 39 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County of Adams (the Primary Government) and its Component Units. The Component Units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Component Units discussed below have been included in the financial reporting entity as discretely presented Component Units.

Adams County Transit Authority ("ACTA"): ACTA was created April 24, 1996 by the County of Adams under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation services within Adams County. ACTA is governed by a seven-member board appointed by the Adams County Board of Commissioners.

ACTA provides demand responsive transportation services in specially equipped vehicles to the general public and to qualifying elderly and handicapped persons.

ACTA is funded by a combination of passenger fares, state shared ride grants, other operating revenues, and federal, state, and local capital grants.

ACTA's operations were combined with the York County Transportation Authority during 2012. See Note 23.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Adams County Housing Authority ("the Authority"): The Authority is a governmental, public corporation created by resolution of the County of Adams, Pennsylvania. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development. An executive director is appointed by the Authority's Board of Directors to manage the day-to-day operations of the Authority.

The Authority administers various programs including the Community Development Block Grant (CDBG) program and the HOME Program.

The Authority operates on a fiscal year ending June 30.

B) Related Organizations

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations does not extend beyond making appointments. The County does not designate management nor does it have the ability to significantly influence the operations of these entities. In addition, the County has no responsibility for fiscal matters for these entities (i.e., not responsible for deficits or entitled to surpluses, no guarantees of debt, etc.). These organizations include:

Adams County Office of Aging
Gettysburg Conservation and Visitors Bureau
Adams County Economic Development Corp.
Adams County Historical Society
Adams County Library System
Adams County Extension Association
Adams County Industrial Development Authority

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Joint Ventures

The County is a participant with York County in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations and therefore these entities are not included in its financial reporting entity (condensed financial information relative to these entities is included in the notes herein):

Name of Organization	York/Adams Mental Health/Mental Retardation	York/Adams Drug and Alcohol Program
Services Provided	Mental Health/ Mental Retardation	Drug and Alcohol Program
Adams County Board Representation	3 of 6	3 of 6
Fiscal Year	12/31/12	12/31/12
Total Assets	\$ 3,066,517	\$ 538,295
Equity	-	-
Operating Revenue	\$28,110,982	\$3,113,219
Net Income (Loss)	-	-
Adams County Contribution to Operations	\$ 209,744	\$ 19,000

The above joint ventures are included in York County's Comprehensive Annual Financial Report and are available for inspection in the York County Controller's Office, Administrative Center, 28 East Market Street, York, Pennsylvania 17401.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues, to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, commissions, the court system and health and welfare services.
- The Children and Youth Fund is used to account for specific revenue sources related to the provisions of Children and Youth services that are restricted to expenditures for those specified purposes.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

- The Managed Care Fund is used to account for specific revenue sources related to the provisions of the managed care program that are restricted to expenditures for those specified purposes.
- The Capital Projects Fund is used to account for the financial resources used for acquisition of capital assets.

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

The County reports the following major proprietary funds:

- The 911 Emergency Telephone Fund is used to account for the operations of the County's Emergency Communications System that is financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Additionally, the County reports the following fund type:

- The Agency Funds consist of restricted revenues of the various row offices of the County. The row office funds are in essence escrow funds maintained by the row offices for bails posted, funds held for sheriff's sales, realty transfer taxes held and owed to other governmental entities, and other funds reserved for disposition of legal action.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Investments

Investments for the County are reported at fair value. Investments that do not have an established market value are reported at estimated values.

4. Restricted Assets

Restricted Assets represent revenues set-aside for the liquidation of specific obligations, as detailed in Note 3.

5. Deferred Charges

Deferred charges represent issuance costs and deferred losses associated with the issuance of bonds that are being amortized over the life of the bonds using the straight line method of accounting.

6. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

7. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. bridges), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and have estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation (See also Note 5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlay of capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the County are depreciated using the straight line method over the following intended useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	40
Buildings and Improvements	20-40
Equipment and Vehicles	5-10

8. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for uncollectible taxes of \$1,069,374 as of December 31, 2012.

9. Compensated Absences

The County permits employees to accumulate a limited amount of earned, but unused vacation leave. These benefits are payable upon separation of services. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs and deferred loss on refundings are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Unearned and Deferred Revenues

Revenues that are received but not earned are deferred in the government-wide financial statements. In the County's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized. The County deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

12. Interfund Transactions

Quasi and external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

13. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Members of the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners delegated this responsibility to the County Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

14. Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

15. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that County Governments establish budgetary systems and adopt annual operating budgets. The County's annual budget includes the General Fund and certain Special Revenue Funds and is based on estimates of revenues and expenditures approved by the Commissioners. The County adopts the budget on the same basis of accounting as reported in the fund financial statements. The County of Adams follows these procedures in establishing the budgetary data reflected in the financial statements:

County Budget Process

1. During the 3rd quarter each year the Finance Department prepares and distributes to all department directors budgetary worksheets. The worksheets are used as a tool for department directors to provide their projections for the current year and the next year. Also, worksheets allow for multi-year planning. The County utilizes Target Based budgeting for their new budget process.
2. The County Manager and Finance Director in conjunction with the Commissioners interview all department directors to discuss their budgets as submitted and allow them to substantiate projected revenues and expenditures.
3. The Finance Department assembles the preliminary projections of revenues and expenditures into a formal budget incorporating any revisions or adjustments resulting from the Commissioner's review.
4. Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
5. After the 20-day inspection period, but prior to December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.
6. Formal budgetary process is employed as a planning device. The adopted budget is on a basis consistent with GAAP. Budget amounts are as originally adopted, or as amended by the County Commissioners.

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) Budgets and Budgetary Accounting (Continued)

Management Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the County Commissioners.

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the remaining provisions of GASB Statement No. 57 "OPEB Measurements by Agent Multi-Employers Plans." The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 60 "Accounting and Financial Reporting for Service Concession Arrangements". The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The adoption of this statement had no effect on previously reported amounts.

The County adopted the requirements of GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The adoption of GASB 63 resulted in the renaming of the residual measure of all other elements presented in a statement of financial position as "net position", rather than "net asset".

The County adopted the requirements of GASB Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provision - an amendment of GASB Statement No. 53". The adoption of this statement had no effect on previously reported amounts.

I) Pending Changes in Accounting Principles

In November, 2010, GASB issued Statement No. 61 "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". The County is required to adopt statement No. 61 for its calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". The County is required to adopt statement No. 65 for its calendar year 2013 financial statements.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012- An Amendment of GASB Statements No. 10 and No.62". The County is required to adopt statement No. 66 for its calendar year 2013 financial statements.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Pending Changes in Accounting Principles (Continued)

In June 2012, the GASB issued Statement No. 67, "*Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*". The County is required to adopt statement No. 67 for its calendar year 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The County is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The County is required to adopt statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The County is required to adopt statement No. 70 for its calendar year 2014 financial statements.

The County has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

Component Units - Summary of Significant Accounting Policies

Adams County Housing Authority ("the Authority")

Basis of Accounting

The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become measurable, and the expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net position, revenue and expenses are accounted for using a single enterprise fund for the primary government.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Revenue

The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues. Operating subsidies received from HUD are recorded as income when earned.

Net Position

The Authority classifies net position into three components- Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Investments

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Accounts Receivable

Collection losses on accounts receivable are charged against an allowance for doubtful accounts. Tenant accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts as of June 30, 2012 was \$4,803.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Buildings and Equipment

Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

Income taxes

The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

Compensated Absences

The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

Prepaid Expenses

Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

Capital Assets

Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expenses when incurred.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Units - Summary of Significant Accounting Policies (Continued)

Adams County Housing Authority ("the Authority") (Continued)

Capital Assets (Continued)

Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Improvements	20
Furniture	10
Equipment	5
Vehicles	5
Computer Equipment	3

NOTE 2: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2012 were as follows:

Governmental Funds

General Fund

CD's \$ 1,241,331

Conservation District

CD's 443,397

Mutual Funds 158,883

Fixed Income Mutual Funds 242,174

Total Governmental Funds 2,085,785

Government-Wide Funds

Investment Derivative 521,869

Total Government-Activities
Investments

2,607,654

Proprietary Fund

911 Fund

CD 2,500,000

Total Investments Primary
Government

\$ 5,107,654

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: DEPOSIT AND INVESTMENT RISK (continued)

As of December 31, 2012, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 4,184,728	\$ 3,277,728	\$ 602,000	\$ 305,000	\$ -
Fixed Income Mutual Funds	242,174	-	159,961	82,213	-
Investment Derivative	521,869	-	-	-	521,869
Total	\$ 4,948,771	\$ 3,277,728	\$ 761,961	\$ 387,213	\$ 521,869

Interest Rate Risk: The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

See Note 10 for information on interest and credit risk for the County's derivative instruments.

Credit Risk: The County's investment policy limits investments to direct obligations of the United States Government or its agencies; local agency demand deposits, certificates of deposit; Ginnie Mae, Fannie Mae, Freddie Mac, and obligations secured by these agencies; mutual funds; corporate bonds rated A or higher by Standard & Poors or Moody's; commercial paper which is eligible for purchase by the discount window of the Federal Reserve Bank and has a rating of A-1 by Moody's or P-1 by Standard & Poors; bankers acceptances which are eligible for purchase by the discount window of the Federal Reserve Bank; repurchase agreements having a maturity of less than 30 days; and passbook savings account demand deposits and money market accounts. \$45,000 (19%), \$55,370 (23%), \$45,404 (19%), \$73,774 (30%), and \$22,626 (9%) of the County investments in fixed income mutual funds as of December 31, 2012 were rated AAA, AA, A, BBB, and B, respectively.

Custodial Credit Risk: For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County, will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2012, \$39,504,915 of the County's bank deposits of \$40,524,093 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. At December 31, 2012, \$2,500,000 of the County's investments in a certificate of deposit was exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured.

Concentration of Credit Risk: The County has no formal policy for investments pertaining to concentration of credit risk. At December 31, 2012, the County was not exposed to concentration of credit risk.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2: DEPOSIT AND INVESTMENT RISK (Continued)

Component Unit – Deposit and Investment Risk

Adams County Housing Authority (“the Authority”)

Cash and Cash Equivalents and Investments

Cash and Cash equivalents (including tenant security deposits) of \$699,915 at June 30, 2012, consisted of the following:

Checking Accounts (including security deposits)	\$ 237,066
Money Market Accounts	262,325
Reserve for Replacement (Checking Account)	118,040
Tax & Escrow Accounts	51,108
FSS Deposit & Mortgage Assistant Escrow	31,026
Petty Cash Fund	<u>350</u>
Total Cash and Equivalents	<u>\$ 699,915</u>

The carrying amount of the Authority's cash and cash equivalents as of June 30, 2012 was \$699,915 and the bank balances were \$704,399. Of the bank balances, \$485,495 was covered by FDIC insurance and \$218,904 was covered by a collateral pool maintained by the banks as required by Pennsylvania statute. Cash, and cash equivalents, except petty cash are held in the authority's name.

The Authority's cash and cash equivalents are categorized as prescribed in GASB 40 to give an indication of the level of risk assumed by the Authority. As described above, \$218,904 of the authority's deposits exceeded FDIC insurance and were covered under Pennsylvania statute Act 72 which collateralizes securities held by the pledging institutions trust department.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3: RESTRICTED ASSETS

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental funds balance sheet and proprietary statement of net position. Restricted assets are composed of the following:

General Fund	
Amount established to provide a source of funds for noncash workers' compensation claims.	\$ 42,373
Cash Restricted for Escrow Accounts	1,226,868
Cash Restricted for Program Purposes	208,984
Other Governmental Funds	
Conservation District	
Cash Restricted for Payment of Debt Service.	44,759
Cash Restricted for Stream & Watershed Preservation	32,405
Investments Restricted for Stream & Watershed Preservation	411,057
Investments Restricted for Debt Service	150,000
Capital Project GO Note 2009 Fund	
Cash Restricted for Construction	<u>2,342,863</u>
Subtotal Governmental Funds	<u>4,459,309</u>
911 Fund	
Cash for Construction	15,332,742
Investments for Construction	<u>2,500,000</u>
Subtotal Proprietary Funds	<u>17,832,742</u>
Total Restricted Assets	<u><u>\$22,292,051</u></u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and expected to be collected within the first sixty (60) days of 2013 are recognized as revenue in 2012. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2012 was 3.4371 mills for general purposes, .1147 mills for library purposes, and .181 mills for 911 purposes.

The County recorded an allowance for uncollectible taxes of \$1,069,374 as of December 31, 2012. This represents the County's estimate of taxes earned but ultimately expected not to be collected.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 896,241	\$ -	\$ -	\$ 896,241
Agricultural Easements	9,099,061	254,872	-	9,353,933
Total Capital Assets, Not Being Depreciated	<u>9,995,302</u>	<u>254,872</u>	<u>-</u>	<u>10,250,174</u>
Capital Assets, Being Depreciated:				
Infrastructure	5,854,299	1,631,919	-	7,486,218
Buildings and Improvements	48,223,016	12,946	-	48,235,962
Equipment and Vehicles	6,873,249	382,376	-	7,255,625
Total Capital Assets Being Depreciated	<u>60,950,564</u>	<u>2,027,241</u>	<u>-</u>	<u>62,977,805</u>
Less Accumulated Depreciation For:				
Infrastructure	(3,203,747)	-	(119,783)	(3,323,530)
Buildings and Improvements	(12,223,188)	-	(1,204,619)	(13,427,807)
Equipment and Vehicles	(5,860,929)	-	(299,862)	(6,160,791)
Total Accumulated Depreciation	<u>(21,287,864)</u>	<u>-</u>	<u>(1,624,264)</u>	<u>(22,912,128)</u>
Total Capital Assets, Being Depreciated, Net	<u>39,662,700</u>	<u>2,027,241</u>	<u>(1,624,264)</u>	<u>40,065,677</u>
Governmental Activities Capital Assets, Net	<u>\$49,658,002</u>	<u>\$2,282,113</u>	<u>\$(1,624,264)</u>	<u>\$50,315,851</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 51,041	\$ -	\$ -	\$ 51,041
Construction in Progress	-	2,597,801	-	2,597,801
Total Capital Assets, Not Being Depreciated	<u>51,041</u>	<u>2,597,801</u>	<u>-</u>	<u>2,648,842</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,812,788	-	-	5,812,788
Equipment and Vehicles	1,368,023	713,945	-	2,081,968
Total Capital Assets Being Depreciated	<u>7,180,811</u>	<u>713,945</u>	<u>-</u>	<u>7,894,756</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,158,377)	-	(145,320)	(1,303,697)
Equipment and Vehicles	(1,136,891)	-	(77,973)	(1,214,864)
Total Accumulated Depreciation	<u>(2,295,268)</u>	<u>-</u>	<u>(223,293)</u>	<u>(2,518,561)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,885,543</u>	<u>713,945</u>	<u>(223,293)</u>	<u>5,376,195</u>
Business-Type Activities Capital Assets, Net	<u>\$4,936,584</u>	<u>\$3,311,746</u>	<u>\$(223,293)</u>	<u>\$8,025,037</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

General Government-Admin.	\$ 311,593
General Government-Judicial	85,369
Public Safety	1,011,745
Public Works	119,783
Human Services	765
Conservation and Development	95,009

Total Depreciation Expense – Governmental Activities \$1,624,264

BUSINESS-TYPE ACTIVITIES:

Emergency 911 System \$ 223,293

Total Depreciation Expense – Business-Type Activities \$ 223,293

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Unit – Fixed AssetsAdams County Housing Authority ("the Authority")

Fixed Assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are state at cost, less accumulated depreciation. The following is a summary of the changes in general fixed assets for the fiscal year ended June 30, 2012:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
Land	\$ 200,852	\$ -	\$ -	\$ 200,852
Buildings	3,928,160	107,589	-	4,035,749
Building Improvements	145,549	-	-	145,549
Furniture and Equipment	377,434	-	-	377,434
Total Fixed Assets	<u>4,651,995</u>	<u>107,589</u>	<u>-</u>	<u>4,759,584</u>
Accumulated Depreciation	<u>(1,913,701)</u>	<u>(126,232)</u>	<u>-</u>	<u>(2,039,933)</u>
Net Fixed Assets	<u>\$2,738,294</u>	<u>\$(18,643)</u>	<u>\$ -</u>	<u>\$2,719,651</u>

Depreciation expense for the fiscal year ended June 30, 2012 amounted to \$126,232.

NOTE 6: PENSION PLAN

Plan Description

The County contributes to the Pennsylvania Municipal Retirement System defined benefit plan ("PMRS"), an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for certain municipalities in the Commonwealth of Pennsylvania. All full-time County employees are eligible to participate in the plan after a probationary period. Benefits vest after 5 years of full-time service. The pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. Under the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the "Act"), each individual municipality has authority to establish or amend its respective benefits and employee contribution rates subject to the Pennsylvania Municipal Retirement Board approval. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for PMRS. That report may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165.

Funding Policy

The County employees are mandated to contribute at least 6% of their wages, while the County's contributions are determined by an actuarial valuation by PMRS. The contribution requirements of plan members and the County are established and may be amended by the PMRS Board of Trustees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: PENSION PLAN (CONTINUED)

The following Schedules of Funding Progress present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for the Pennsylvania Municipal Retirement System for the County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/02	\$19,085,700	\$14,856,680	\$(4,229,020)	128.47%	\$ 9,037,077	(46.80)%
1/1/04	22,175,470	18,836,700	(3,338,770)	117.72%	12,245,540	(27.27)%
1/1/06	25,766,404	24,269,489	(1,496,915)	106.17%	14,160,080	(10.57)%
1/1/08	31,121,218	31,846,302	725,084	97.72%	16,232,700	4.47%
1/1/10	36,961,882	37,222,413	260,531	99.30%	17,112,340	1.52%
1/1/12	60,224,449	58,602,805	(1,621,644)	130.03%	17,801,909	(9.11)%

Annual Pension Cost

For 2012, the County's annual pension cost of \$1,420,290 was equal to the County's required and actual contributions. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal cost method. The significant actuarial assumptions include (a) a 6.0% investment rate of return, (b) projected salary increases of 4.80% (c) PMRS assets were valued at fair value. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2012 is 4.41 years.

Trend Information for the County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$1,362,962	100%	\$ -
12/31/11	\$1,464,724	100%	\$ -
12/31/12	\$1,420,290	100%	\$ -

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6: PENSION PLAN (CONTINUED)

Component Unit- Pension Plan

Adams County Housing Authority ("the Authority")

The Authority provides a defined contribution pension plan for eligible full-time and part-time employees. The plan is administered by Mutual of America and was established by a resolution of the board of directors. Any changes to the plan can only be enacted by board resolution. Under the plan, the Authority contributes an amount equal to 7.5% of each employee's annual compensation to the plan. Additionally, the authority offers a Tax Deferred Annuity (TDA) to all employees that wish to contribute to their retirement via payroll deductions. The Authority's contribution to the plan for the fiscal year ended June 30, 2012 totaled \$24,112.

NOTE 7: LEASES

The County leases office space and land for 911 towers under several operating lease agreements which have expiration dates ranging from 2012 to 2019. Some of the agreements contain renewal provisions at the County's option. The County also has a lease with a related party as described in Note 18. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2012:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Total</u>
2013	\$ 76,900	\$207,050	\$ 283,950
2014	34,000	207,050	241,050
2015	34,000	188,748	222,748
2016	34,000	188,748	222,748
2017	34,000	-	34,000
2018-2022	68,000	-	68,000
	<u>\$280,900</u>	<u>\$791,596</u>	<u>\$1,072,496</u>

Rent expense for 2012 was \$394,930.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8: RISK MANAGEMENT

For periods prior to January 1, 1999, the County is exposed to the risk of loss related to self-insurance activities for workers' compensation and maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the General Fund for the open claims. Effective January 1, 1999, the County participates in the Pennsylvania Counties Workers Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. For the year ended December 31, 2012, the County was required to pay an insurance premium of \$702,754 to the Trust. The Trust has an audit performed each year and the County may be required to pay an additional premium or entitled to a refund as a result of the audit. For the 2012 Trust audit, the County paid a premium of \$18,462.

There have been no significant changes in insurance coverage in the past three years and settled claims have not exceeded the commercial coverage in those years.

The following summary provides aggregate information on workers' compensation self-insurance liability; incurred claims and payments during the years ended December 31, 2011 and 2012, and the reported workers' compensation self-insurance liability at December 31, 2011 and 2012.

December 31, 2010 <u>Liability</u>	Current Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	December 31, 2011 <u>Liability</u>
\$33,418	(\$13,434)	(\$3,098)	\$16,886
December 31, 2011 <u>Liability</u>	Current Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	December 31, 2012 <u>Liability</u>
\$16,886	-	(\$1,437)	\$15,449

Component Unit – Risk ManagementAdams County Housing Authority ("the Authority")

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the year ended June 30, 2012, the Authority's risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and Loans Payable:					
General obligation debt	\$41,261,709	\$19,455,234	\$16,935,287	\$43,781,656	\$1,859,911
Guaranteed revenue bonds	1,094,736	-	171,046	923,690	55,295
Loan payable	254,855	-	93,262	161,593	63,262
Plus: Bond Premium	-	434,826	17,394	417,432	17,393
Less: Bond Discount	(9,881)	-	(9,881)	-	-
Total Bonds and Loans Payable:	42,601,419	19,890,060	17,207,108	45,284,371	1,995,861
<u>Other Long Term Liabilities:</u>					
Compensated absences	898,677	62,042	-	960,719	-
Total Other Long Term Liabilities	898,677	62,042	-	960,719	-
Governmental Activities: Long-Term Liabilities	\$43,500,096	\$19,952,102	\$17,207,108	\$46,245,090	\$1,995,861
<u>Business-Type Activities:</u>					
Bonds Payable:					
General Obligation debt	\$3,078,865	\$ 21,820,690	\$2,136,211	\$22,763,344	\$650,090
Plus: Bond Premium	-	619,564	24,783	594,781	24,783
Total Bonds Payable	3,078,865	22,440,254	2,160,994	23,358,125	674,873
<u>Other Liabilities:</u>					
Compensated absences	56,142	3,655	-	59,797	-
Total Other Liabilities	56,142	3,655	-	59,797	-
Business-Type Activities Long-Term Liabilities	\$3,135,007	\$ 22,443,909	\$2,160,994	\$23,417,922	\$674,873

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

Pertinent information regarding general obligation debt outstanding is presented below (payable from General Fund Tax Revenues):

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2012</u>
1999	\$3,600,000	Revenue bonds for construction of the agricultural center (final maturity 2024). The bonds bear a fixed interest rate of 5%.	\$ 923,690
2006	\$600,000	Loan payable with the Pennsylvania Infrastructure Bank for a bridge project (final maturity in 2016). The loan bears a fixed interest rate of 4.04%.	\$ 161,593
2011	\$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. (\$29,658,898 – Governmental activities, \$1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	\$28,681,824
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	\$15,099,832
			\$44,866,939

In July 2009, the County issued General Obligation Note, Series A of 2009, in the amount of \$6,330,000. The Series A of 2009 Notes mature on April 1, 2029. The interest rate on the Series A of 2010 notes is a fixed rate equal to 2.99% for the period from July 2010 to April 1, 2012. After April 1, 2012, the interest rate shall be adjusted to equal 66% of the Purchaser's Prime Rate, not to exceed a maximum interest rate of 6% or a minimum interest rate of 2.75%. The proceeds of the note are to be used for the acquisition of open space and agricultural land preservation and to pay issuance costs of \$25,183. The County will draw on the note as needed to fund the purchase of open space and agricultural land preservation. During 2012, the county drew \$2,161,563 on the note. The principal balance outstanding on the note was zero as the issue was refunded during 2012.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities (Continued):

In July 2009, the County issued General Obligation Note, Series B of 2009, in the amount of \$5,670,000. The Series B of 2009 Notes mature on April 1, 2029. The interest rate on the Series A of 2010 notes is a fixed rate equal to 2.99% for the period from July 2010 to April 1, 2012. After April 1, 2012, the interest rate shall be adjusted to equal 66% of the Purchaser's Prime Rate, not to exceed a maximum interest rate of 6% or a minimum interest rate of 2.75%. The proceeds of the note are to be used to fund an energy conservation improvement program, a countywide revision of the assessment of real property, the acquisition of real estate for county government use, the costs of accounting software and implementation expenses, and to pay issuance costs of \$22,818. The County will draw on the note as needed to fund the previously mentioned projects. During 2012, the county drew \$1,979,361 on the note. The principal balance outstanding on the note was zero as the issue was refunded during 2012.

In March 2012, the County issued General Obligation Bonds, Series of 2012, in the amount of \$37,135,000. The principal of these bonds is payable in installments from \$240,000 in 2012 to \$1,810,000 in 2027. The bonds bear interest rates ranging between .30% and 4.0%. The proceeds of the bonds were used to currently refund the 2003 general obligation bonds, the 2007 general obligation notes, the 2009 general obligation notes, fund an emergency management project and pay issuance costs of \$513,425 (\$211,734 for governmental activities and \$301,691 for business-type activities). The general obligation bonds had a bond premium of \$1,054,390 (\$434,826 for governmental activities and \$619,564 for business-type activities). The bonds refunded \$15,483,735 of Governmental Activities and \$2,077,764 of Business-Type Activities General Obligation Debt, respectively. The County recorded a deferred loss on the refunding of \$224,212 in the Statement of Net Position (\$188,266 for the governmental activities and \$35,946 for the business-type activities). The bonds decreased debt service payments for the County by \$1,930,451 and resulted in an economic gain of \$1,348,240. The principal balance outstanding on the bonds at December 31, 2012 was \$36,895,000 (\$15,099,832 for governmental activities and \$21,795,168 for business-type activities).

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued compensated absences, *assuming current interest rate remain the same:*

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013	\$ 1,978,468	\$ 776,080	\$ 2,754,548
2014	2,021,604	753,560	2,775,164
2015	2,039,744	724,310	2,764,054
2016	2,081,546	689,003	2,770,549
2017	2,155,896	649,405	2,805,301
2018-2022	12,120,639	2,561,427	14,682,066
2023-2027	13,066,292	1,180,123	14,246,415
2028-2032	9,402,750	167,212	9,569,962
	<u>\$44,866,939</u>	<u>\$7,501,120</u>	<u>\$52,368,059</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

General Obligation Bonds-Business-Type Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2012</u>
2011	\$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. (\$29,658,898 – Governmental activities, \$1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	\$968,176
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	<u>\$21,795,168</u>
			<u>\$ 22,763,344</u>

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued compensated absences, *assuming current interest rate remain the same:*

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2013	\$ 650,090	\$ 819,140	\$ 1,469,230
2014	656,763	812,394	1,469,157
2015	669,662	801,092	1,470,754
2016	688,787	784,676	1,473,463
2017	703,976	766,112	1,470,088
2018-2022	3,925,589	3,464,351	7,389,940
2023-2027	4,636,237	3,603,367	8,239,604
2028-2032	5,091,876	1,669,899	6,761,775
2033-2037	5,740,364	608,953	6,349,317
	<u>\$ 22,763,344</u>	<u>\$ 12,329,984</u>	<u>\$ 36,093,328</u>

In 2002, the County defeased the 2001 general obligation bonds by placing the proceeds of the 2002 general obligation bonds in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2012, the principal amount outstanding relative to the defeased debt was \$27,965,000.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

Hedging Derivative Instrument Payments and Hedged Debt. As of December 31, 2012, aggregate debt service requirements of the County's General Obligation Notes, Series of 2011 and net receipts/payments on 2008 Fixed Pay Swap are as follows:

(The amounts in the table below assume that the current interest rates on the General Obligation Notes, Series of 2011 and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.)

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Hedging Derivatives Net</u>	<u>Total</u>
2013	\$ 1,045,000	\$ 258,618	\$ 1,234,654	\$ 2,538,272
2014	1,080,000	249,451	1,190,826	2,520,277
2015	1,120,000	239,975	1,145,584	2,505,559
2016	1,165,000	230,778	1,098,594	2,494,372
2017	1,210,000	219,922	1,049,901	2,479,823
2018-2022	6,885,000	931,392	4,443,652	12,260,044
2023-2027	8,640,000	599,851	2,861,451	12,101,302
2028-2031	8,505,000	184,395	878,871	9,568,266
	<u>\$ 29,650,000</u>	<u>\$ 2,914,382</u>	<u>\$ 13,903,533</u>	<u>\$ 46,467,915</u>

Component Unit - Long-term DebtAdams County Housing Authority ("the Authority")Rural Rental Assistance Repayments

Harold Court- Rural Development (RD) provided two mortgages totaling \$1,750,923. The Authority's monthly payments are \$3,764 beginning July 1, 1990. The balance for both mortgages at June 30, 2012 is \$1,631,666. The interest rate for Loan 1 and Loan 2 is 9.5%.

Loan 1 Harold Court

Years Ended June 30:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013	\$12,078	\$137,891	\$149,969
2014	13,276	136,693	149,969
2015	14,593	135,376	149,969
2016	16,043	133,926	149,969
2017	17,635	132,334	149,969
2018-2022	118,169	631,676	749,845
2023-2027	189,663	560,182	749,845
2028-2032	304,409	445,436	749,845
2033-2037	488,580	261,265	749,845
2038-2040	282,481	30,092	312,573
	<u>\$1,456,927</u>	<u>\$2,604,871</u>	<u>\$4,061,798</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

Component Unit - Long-term Debt (Continued)Adams County Housing Authority ("the Authority") (Continued)Rural Rental Assistance Repayments (Continued)Loan 2 Harold Court

Years Ended June 30:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013	\$1,448	\$16,538	\$17,986
2014	1,592	16,394	17,986
2015	1,750	16,236	17,986
2016	1,923	16,063	17,986
2017	2,114	15,872	17,986
2018-2022	14,169	75,761	89,930
2023-2027	22,740	67,190	89,930
2028-2032	36,499	53,431	89,930
2033-2037	58,581	31,349	89,930
2038-2040	33,923	3,605	37,528
	<u>\$174,739</u>	<u>\$312,439</u>	<u>\$487,178</u>

Total Loans No 1 and No 2 \$1,631,666

McIntosh Court- RD provided two mortgages totaling \$93,543. The Authority's payments were \$284 per month. The balances for both mortgages at June 30, 2012 are \$32,688. The interest rate for Loan 1 and Loan 2 is 10%.

Loan 1 McIntosh Court

Years Ended June 30:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013	\$1,176	\$ 119	\$ 1,295
2014	1,187	107	1,294
2015	1,199	95	1,294
2016	1,211	83	1,294
2017	1,223	71	1,294
2018-2022	6,304	166	6,470
2023	106	-	106
	<u>\$12,406</u>	<u>\$ 641</u>	<u>\$13,047</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

Component Unit - Long-term Debt (Continued)Adams County Housing Authority ("the Authority") (Continued)Rural Rental Assistance Repayments (Continued)Loan 2 McIntosh Court

Years Ended June 30:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2013	\$ 1,921	\$ 194	\$ 2,115
2014	1,941	174	2,115
2015	1,960	155	2,115
2016	1,980	135	2,115
2017	2,000	115	2,115
2018-2022	10,304	271	10,575
2023	176	-	176
	<u>\$20,282</u>	<u>\$1,044</u>	<u>\$21,326</u>

Total Loans No 1 and No 2 \$32,688

On October 14, 2004 the Authority refinanced its mortgage on 40 East High Street with Rural Development. The amount financed was \$1,055,150 at a fixed rate of 4.5% for forty years. Monthly payments amount to \$4,749 and are calculated on the total loan amount. The loan balance at June 30, 2012 was \$956,731. For June 30, 2012, interest expense was \$44,007 and principal payments were \$12,653. Details regarding payments on the debt service to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2013	\$12,000	2018-2022	\$ 93,222
2014	14,203	2023-2027	116,747
2015	14,857	2028-2032	146,207
2016	15,541	2033-2037	183,102
2017	16,257	2038-2042	229,309
		Thereafter	115,286
Subtotal	<u>\$72,858</u>		<u>\$883,873</u>
	<u>Grand Total</u>		<u>\$956,731</u>

The Authority's Business Activities Program had a line of credit from Fulton Bank in the amount of \$1,750,000. The interest rate for the line of credit is 4.50% and the outstanding balance was \$1,475,393 as of June 30, 2012. Interest for the loan is due monthly, and principal is payable upon demand. Subsequent to the Authority's year end, the line of credit became secured by two tracts of land each owned by the Pennsylvania Interfaith Community Programs Inc. (PICPI).

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 9: LONG-TERM DEBT (Continued)

Component Unit - Long-term Debt (Continued)Adams County Housing Authority ("the Authority") (Continued)

The following table summarizes the long term debt activity at June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Loan 1 Harold CT	\$1,467,913	\$ -	\$ (10,986)	\$1,456,927	\$12,078
Loan 2 Harold CT	176,057	-	(1,318)	174,739	1,448
Loan 1 McIntosh CT	13,571	-	(1,165)	12,406	1,176
Loan 2 McIntosh CT	22,184	-	(1,902)	20,282	1,921
Rural Development Loan	970,330	-	(13,599)	956,731	12,000
SHP Loan	40,000	-	-	40,000	-
Fulton Bank LOC	1,475,393	-	-	1,475,393	1,475,393
Total Loan Obligations	<u>4,165,448</u>	<u>-</u>	<u>(28,970)</u>	<u>4,136,478</u>	<u>1,504,016</u>
Compensated Absences	<u>22,001</u>	<u>4,352</u>	<u>-</u>	<u>26,353</u>	<u>2,634</u>
Total Obligations	<u>\$4,187,449</u>	<u>\$ 4,352</u>	<u>\$(28,970)</u>	<u>\$4,162,831</u>	<u>\$1,506,650</u>

Supportive Housing Program

Financing for this program consisted of a loan of \$40,000 from the Authority's CDBG Program.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: INTEREST RATE SWAPS

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2012, classified by type, and the changes in fair values of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

	Current Notional Amount	Fair Value at December 31, 2012		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Governmental Activities					
Cash Flow Hedges:					
2008 Fixed Pay Swap	\$29,650,000	Debt	\$ (8,298,933)	Deferred Inflow	\$255,115
Investment Derivative:					
2005 Basis Swap	\$29,650,000	Investment	\$ 521,869	Unrestricted Investment Income	\$518,179

Fair Values

The fair values of the swaps are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swap assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Objective and terms of derivative instruments

2005 Basis Swap- In March 2005, the County entered into a Basis Swap agreement with Wachovia Bank as the Counterparty in relation to the County's General Obligation Bonds, Series of 2002 in the then outstanding notional amount of \$34,825,000. The 2005 Basis Swap consists of an interest rate swap agreement whereby the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 basis points (.30%) and is obligated to pay the Counterparty an interest rate equal to the short term tax exempt rate Bond Market Association index (BMA). In consideration for this monthly exchange formula, the County received an up-front payment in the amount of \$1,190,000. This amount is considered as borrowing and it is reported at the historical cost of \$1,190,000. As payments are made on the swap, principal and interest payments on the borrowing are imputed. Interest income is accrued at the at the market rate used to arrive at the initial balance of the borrowing (2.47783%). The swap is now associated with the General Obligation Notes, Series of 2011. At December 31, 2012, the swap consisted of an investment derivative with a value of \$521,869 and a borrowing of (\$920,838) for a net fair value of (\$398,969).

2008 Fixed Pay Swap- In June 2008, the County entered into a Forward Starting Interest Rate Swap with Wachovia Bank as the Counterparty with respect to the County's then outstanding Series of 2002 Bonds or any bond or notes issued to refund the bonds in the principle amount of \$31,615,000. The objective was to hedge the changes in cash flows on the 2002 General Obligation Bonds or any bonds or notes issued to refund the bonds. By entering into this contract the County received an upfront payment of \$1,014,000 net of transaction fees. In exchange, the Counterparty will have the option to direct the County to enter into a variable to fixed rate swap whereby the County will pay 4.6525% to the Counterparty and will receive from the Counterparty 78% of one-month LIBOR plus 28 basis points. This option was exercised by Wells Fargo in August of 2011, and the swaption is now associated with General Obligation Notes, Series of 2011. The upfront cash of \$1,014,000 represents the value of the option and was amortized over the life of the swaption. At December 31, 2012, the unamortized balance is \$0.

Derivative Instrument Risks

Credit Risk. As of December 31, 2012, the County was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the County would be exposed to credit risk in the amount of the derivatives fair value. As of December 31, 2012, the Counterparty was rated Aa3 by Moody's, AA- by Standard and Poors and AA- by Investors Services.

The County's Master Swap Agreement contains netting provisions applicable to circumstances where the county enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the nondefaulting party to terminate all affected transactions and net any settlement amounts payable so that a single sum will be owed by, or owed to, the nondefaulting party.

Basis Risk. This is the risk that there is a mismatch between the percentage of LIBOR receipt to the County and the BMA obligation of the Counterparty. In the 2005 Basis Swap, the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 Base Points (0.30%) spread and is obligated to pay the Counterparty an interest rate equal to SIFMA. The swap matures in November, 2031.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Derivative Instrument Risks (continued)

Basis Risk (continued). For the 2008 fixed pay swap, this is the risk that short-term tax-exempt bonds do not trade on par with 78% (subject to change) of LIBOR, which would result in a slightly higher effective interest rate. The fixed pay swap is structured so that the County receives 78% of one-month LIBOR to cover the underlying tax exempt weekly rate, thereby reducing basis risk. Assuming the historical average rates for on-month LIBOR and SIFMA and a variable rate receipt of 78% of one-month LIBOR, the County expects to accrue monthly cash flow savings in addition to the up-front Premium.

Termination Risk. The fixed pay swap was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County may terminate the fixed pay swap. If the fixed pay swap is terminated, the County will be responsible for the underlying fixed rate bond obligations. Also, if at the time of termination the fixed pay swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the fixed pay swap's fair value.

Rollover Risk. The County is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, the county will be re-exposed to the risks being hedged by the hedging derivative instrument. The worst case is that County would default on its obligation, thereby creating a situation where all or a part of the County's debt might be accelerated.

To date, tax-backed bonds, issued by counties in Pennsylvania have been able to access the market at anytime and the cost of a standby liquidity facility to support the remarketing of the underlying variable rate bonds has been reasonable, and within the budget established for the fixed pay swap.

NOTE 11: GUARANTEED DEBT

The County has guaranteed the repayment of the Adams County Conservation District Guaranteed Revenue Bond, Series of 1999 in the amount of \$3,600,000 with payments due monthly beginning on July 1, 2000 through July 1, 2024 at an interest rate of 5.05% per annum. The balance of the bonds at December 31, 2012 was \$923,690. The County has not been required to make payments on these bonds.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 12: INTERFUND OPERATING TRANSFERS

Interfund transfers are as a result of the requirement for the General Fund to match a portion of the expenditures or expenses of other funds as follows:

	Transfers In	Transfers Out
General Fund	\$ 2,471,152	\$7,190,580
Children and Youth	2,072,086	-
Capital Projects Fund	-	1,479,115
Other Governmental Funds	3,357,779	1,096,443
Total Governmental Fund Types	7,901,017	9,766,138
Enterprise Fund:		
911 Emergency Telephone	1,865,121	-
Total Enterprise Fund	1,865,121	-
	\$9,766,138	\$9,766,138

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2012, are as follows:

	Due From Other Funds	Due to Other Funds
<u>Governmental Fund Types</u>		
General Fund	\$1,873,116	\$ 198,040
Children and Youth Fund	-	1,126,527
Capital Project Fund	-	88,557
Other Governmental Funds	-	458,457
Total Government Fund Types	1,873,116	1,871,581
<u>Proprietary Fund Type</u>		
Enterprise Fund		
911 Emergency Telephone	-	1,535
Total Proprietary Fund Type	-	1,535
Total	\$1,873,116	\$1,873,116

The General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 14: COMMITMENTS AND CONTINGENCIES

- A) The County participates in a variety of federal and state assisted grant programs, which are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.
- B) The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial position.

Component Unit-Commitments and Contingencies

Adams County Housing Authority

Construction Commitments

At June 30, 2012, the Authority's outstanding construction commitments were not material to the financial statements.

Contingencies

Amounts received or receivable from HUD are subject to review and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability to the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects that such amounts, if any, are immaterial.

NOTE 15: COMPENSATED ABSENCES

Employees of the County are entitled to certain compensated absences, consisting of paid time off ("PTO") and sick leave. All full-time employees are eligible to accrue PTO, beginning the first day of employment. PTO hours are accrued based on the number of nonovertime hours paid. At year-end, employees may carry over a maximum of 200 hours of unused PTO. At year-end, any unused PTO in excess of 200 hours is placed in the sick leave reserves for employees. Sick leave reserves are not eligible for reimbursement upon termination or retirement from employment.

Applicable GASB pronouncements require accrual of compensated absences that meets certain specific conditions. The County has determined that such conditions apply to PTO pay of Governmental Funds and the Proprietary Funds. To the extent PTO liabilities for governmental funds are liquidated with available resources they are accounted for as fund liabilities in the fund financial statements; the remainder of the obligation is accounted for in the government-wide financial statements. Proprietary funds account for the entire amount of these liabilities in both the government-wide and fund financial statements.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 15: COMPENSATED ABSENCES (Continued)

Component Unit- Compensated AbsencesAdams County Housing Authority ("the Authority")

Accrued compensated absences of \$26,353 at June 30, 2012 represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation time in the event of retirement or termination of service. Employees are not compensated for sick leave.

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION

The restrictions of fund balance/net position included in the fund and government wide financial statements represent portions of fund balances/net position that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following restrictions are included in the fund and government wide financial statements.

Governmental FundsGeneral Fund

<u>Nonspendable</u>	<u>\$ 901,806</u>
---------------------	-------------------

This line item represents amounts for prepaid expenses and receivables.

Capital Projects Fund

<u>Restricted</u>	<u>\$ 2,198,440</u>
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This line item represents amounts restricted for capital projects.

Nonmajor FundsNonspendable

<u>Act 137 Fund</u>	<u>\$ 96,348</u>
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This line item represents amounts for notes receivable.

Restricted

<u>Liquid Fuels Tax</u>	<u>\$ 319,742</u>
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This line item represents amounts that are restricted by grantors for the future payments of expenditures for the building and improvement of roads and bridges.

<u>Agricultural Land Preservation</u>	<u>\$ 112,039</u>
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This line item represents amounts that are restricted for the preservation of land.

COUNTY OF ADAMS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

<u>Juvenile Court</u>	<u>\$ 4,058</u>
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This line item represents amounts that are restricted by legislation to track fees representing Home Studies and Adoption Investigation fees.

<u>Prison Commissary</u>	<u>\$ 158,129</u>
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This line item represents amounts that are restricted from the sale of commissary items to the inmates as well as other commissions earned.

<u>Records Improvement</u>	<u>\$ 410,097</u>
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This line item represents amounts that are restricted for improvements in the Recorder of Deeds' Office

<u>Home Fund</u>	<u>\$ 4,074</u>
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This line item represents amounts that are restricted by grantors for future expenditures community rehab projects.

<u>Act 137</u>	<u>\$ 501,366</u>
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This line item represents amounts collected from the recording of fees for mortgages and deeds to enhance local affordable housing efforts.

<u>Hotel Tax</u>	<u>\$ 646,211</u>
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This line item represents amounts that are restricted for the levying and setting of Hotel room rental tax required for the specific purpose of the County government.

<u>DUI</u>	<u>\$ 429</u>
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This line item represents amounts that are restricted by grantors for the purpose of purchasing DUI equipment.

<u>Court Reserved Fund</u>	<u>\$ 77,461</u>
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This line item represents amounts that are restricted to track court related revenues such as Offender Supervision fees, treatment fees, and Youth offender education fees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)Restricted (Continued)

<u>Conservation District</u>	<u>\$ 1,347,068</u>
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This line item represents amounts that are restricted for the preservation of Adams County's natural resources, land preservation, and debt service.

<u>Coroner's VISA</u>	<u>\$ 15,259</u>
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This line item represents amounts that are restricted by grantors for purchases of equipment, training, and office and laboratory facility improvement.

<u>Law Enforcement</u>	<u>\$ 13,305</u>
------------------------	------------------

This line item represents amounts that are restricted by grantors for purchase of law enforcement equipment.

Component Unit – Restricted Net PositionAdams County Housing Authority ("the Authority")Restricted Net Position - Housing Choice Voucher Program

Prior to January 1, 2005 excess funds advanced by HUD to the Authority for the payment of housing assistance payments were returned to HUD at the end of the Authority's fiscal year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005, excess funds disbursed by HUD to the Authority for the payment of Housing Assistance Payments that are not so utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

As of November 2007, HUD is reverting to treating these funds as restricted in order to comply with generally accepted accounting principles. HUD has indicated that any HAP amounts received by PHA and not expended should be reported as restricted cash and restricted net position.

Administrative fees paid by HUD to the Authority in excess of administrative expenses are also part of the unrestricted fund balance and are considered to be "administrative fee reserves." Administrative fee reserves accumulated prior to January 1, 2005 are subject to all requirements applicable to administrative fee reserves including, but not limited to, 24 CFR 982.155 – i.e. "other housing purposes permitted by state and local law". Excess administrative fees earned in 2005 and subsequent years must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities.

COUNTY OF ADAMS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 17: NOTES RECEIVABLE

Notes receivable represent amounts loaned to qualified County residents for Affordable Housing that are to be repaid to the County. The notes receivable balances consist of the following at December 31, 2012:

<u>Program</u>	<u>Balance Outstanding December 31, 2012</u>
Original note amount of \$25,000 issued August 15, 2000 for home repairs with an interest rate of 1% per annum due in monthly installments of principle and interest of \$94 commencing on October 1, 2000 through and including September 1, 2025.	\$ 22,331
Original note amount of \$80,000 issued in 2003 for the purchase and rehabilitation of property with \$70,000 distributed in 2003 and the remaining \$10,000 to be granted in 2004. The loan is for a two year period and is repayable as a balloon payment, with one year of interest at 1%.	\$ 16,301
Original note amount of \$90,000 issued in 2005 for home repairs with an interest rate of 1% per annum due in monthly installments of principal and interest of \$414 commencing in February, 2005 through and including January, 2025.	\$ 57,716
Original note amounts ranging from \$4,625 to \$25,000 issued from November 2003 through August 2020 for home repairs and improvements. The loans are forgiven at the rate of 10% each year for ten years. If the property is sold, transferred or vacated before the end 10 years, the unforgiven portion of the loan must be repaid.	\$ 185,729
Original mortgage note amount of \$260,000 issued in 2006 at an interest rate of 3% per annum due in monthly installments of principal and interest of \$1,232.96 commencing in July, 2006 through and including June, 2031.	<u>\$165,062</u>
Total Notes Receivable	<u>\$447,139</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 17: NOTES RECEIVABLE (CONTINUED)

Component Unit- Notes ReceivableAdams County Housing Authority ("the Authority")

The CDBG program held notes and mortgages receivable of \$288,939 as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Advances</u>	<u>Receipts</u>	<u>Balance</u> <u>6/30/12</u>
<u>CDBG Loans:</u>				
Scattered Sites (PICPI)	\$33,237	\$ -	\$ 1,293	\$31,944
Supportive Housing Loan	40,000	-	-	40,000
Act-137 (PICPI)	40,010	-	-	40,010
Small Cities Loan	91,121	-	7,400	83,721
Biglerville Road – Scattered Sites (PICPI)	51,657	-	-	51,657
New Oxford Expansion (PICPI)	44,498	-	2,892	41,606
	<u>\$300,523</u>	<u>\$ -</u>	<u>\$11,585</u>	<u>\$288,938</u>

The Home Program has receivables of \$108,745 from second mortgages held by the Authority. These loans have been recorded on the Authority's financial statements as long term receivables. They will be collected when either the homeowner sells or otherwise transfers or convey the property.

	<u>Balance</u> <u>6/30/11</u>	<u>Advances</u>	<u>Receipts</u>	<u>Balance</u> <u>6/30/12</u>
<u>HOME Loans:</u>				
Second Mortgages	\$108,745	\$ -	\$ -	\$108,745

NOTE 18: RELATED PARTY TRANSACTIONS

On June 28, 2000, the County entered into a lease agreement with the Conservation District, where the District leases to the County 20,248 square feet in the Adams County Agricultural and Natural Resource Center for 25 years commencing on July 1, 2000. The rent is payable on or before the 25th of the previous month with the initial rent being fixed for the first year. After the first year and each successive year, the rent may be increased or decreased based on the changes in costs associated with the operation and maintenance of the Center or changes in debt service requirements. Rent expense for 2012 was \$303,188.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 18: RELATED PARTY TRANSACTIONS (CONTINUED)

Component Unit- Related Party Transactions

Adams County Housing Authority ("the Authority")

The Authority is co-located with the Pennsylvania Interfaith Community Programs Inc. (PICPI) and McSherrystown Interfaith Corporation, both non-profit organizations, in its attempt to provide quality housing to lower income families in Adams County. The Authority contracts for employees, including the Executive Director and the respective organizations are charged for the hours worked for each organization. Activities pertaining to these programs are included in separate reports.

NOTE 19: POST-EMPLOYMENT BENEFIT PLAN

Plan Description. The County sponsors a post-employment benefits plan that covers health insurance benefits for eligible retirees. Effective January 1, 1998, the Adams County Commissioners established a Retiree Health Care Benefit policy providing the authority under which benefit provisions for the Plan were established and may be amended. The Plan does not issue a publicly available financial report.

Upon meeting the eligibility requirements, retired members will continue coverage under the active employees' medical program in which they were enrolled during their last year of employment, at their own expense. A County employee who retires at age 55 or older from the County's pension program and has completed 20 or more years of service is eligible for continued health insurance until age 65. Elected officials who do not participate in the County's pension program are eligible for this postretirement medical benefit if they are still employed at age 55 or later and have completed 20 or more years of service.

Funding Policy. Retired members must pay the premiums for coverage elected under the plan. Failure to pay the required premium will result in cancellation of the insurance. The County may charge an administrative fee in addition to the retired member's monthly premium. The County funds the Plan on a pay-as-you-go basis. For 2012, the County's contribution to the plan for current estimated premiums was \$53,395, using the implicit rate subsidy.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a closed basis. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 19: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

	<u>Governmental Activities</u>
Annual required contribution	\$ 101,073
Interest on Net OPEB obligation	3,579
ARC Adjustment	<u>(5,175)</u>
OPEB Cost	99,477
Estimated contributions made	<u>(53,395)</u>
Increase in net OPEB obligation	46,082
Net OPEB obligation – beginning of year	<u>89,487</u>
Net OPEB obligation – end of year	<u><u>\$ 135,569</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2010, 2011, and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 129,423	55.42%	\$ 57,691
12/31/2011	\$ 103,526	69.29%	\$ 89,487
12/31/2012	\$ 99,477	53.68%	\$ 135,569

Funded Status and Funding Progress. As of January 1, 2012 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$946,380 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$946,380. The covered payroll (annual payroll of active employees covered by the plan) was \$16,289,890, and the ratio of the UAAL to the covered payroll was 5.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 19: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 6% after 5 years. Active plan members' salaries are assumed to increase by 4.0% per year. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2012 was 28 years.

NOTE 20: ECONOMIC DEPENDENCY

Component Unit- Economic Dependency

Adams County Housing Authority ("the Authority")

For the year ended June 30, 2012, a substantial portion of the Authority's revenues were received as subsidies and grants from the United States Department of Housing and Urban Development and Rural Development. This funding is subject to availability of funds and Congressional approval, as well as the Authority's compliance with Federal rules and regulations.

NOTE 21: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUNDS

The following major funds had an excess of actual expenditures over budget for the year ended December 31, 2012.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 34,729,547	\$ 35,738,025	2.90%
Children and Youth Fund	\$ 7,032,833	\$ 7,688,586	9.32%

The excess expenditures over appropriations in the General Fund were funded by greater than anticipated revenues and prior year fund balance. The excess expenditures over appropriations in the Children and Youth Fund were funded by contributions from the General Fund in the subsequent year.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 22: OTHER ASSETS

Component Unit

Adams County Housing Authority ("the Authority")

Other assets consist of a receivable from PICPI in the amount of \$1,247,416 for the use of the Authority's line of credit to fund the development of the Misty Ridge property. Additionally, \$53,485 is due from the sale of one unit from the Washington Street Property and the Authority had \$37,414 of prepaid and other current assets.

NOTE 23: TRANSFER OF OPERATIONS – COMPONENT UNIT

ACTA transferred all assets, liabilities, net position and operating activities to the York County Transportation Authority. No exchanges of consideration were given and the transaction was treated as a combination. All assets and liabilities were recorded at historical cost basis by the York County Transportation Authority.

NOTE 24: SUBSEQUENT EVENT

In April 29, 2013, the County entered into a Guaranty Agreement with Susquehanna Bank to guarantee a note payable for the Adams County Industrial Development Authority in the maximum principal amount of \$1,750,000. In connection with the issuance of the note payable, the County entered into a promissory note with the Adams County Industrial Development Authority in the amount of \$1,750,000. The Promissory Note states the entire principal amount together with all interest shall be repaid upon the earlier of (1) the sale of the real estate located at 108 North Stratton Street, Gettysburg or (2) upon demand by the County. The County also entered into a debt service agreement with Susquehanna Bank to establish a debt service escrow account at the bank. Each November, the bank will provide the estimated amount sufficient to pay the principal and interest due on the note payable in the subsequent calendar year. The County will then make annual deposits to the account to pay the estimated principal and interest on the note payable for as long as the note is outstanding. The County also agreed to maintain a depository account with Susquehanna Bank in the amount of \$1,078,000 for as long as the loan shall remain outstanding.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

COUNTY OF ADAMS
 SCHEDULE OF FUNDING PROGRESS
 FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$ -	\$ 1,304,559	\$ 1,304,559	0%	\$ 17,112,340	7.6%
1/1/2011	\$ -	\$ 1,031,919	\$ 1,031,919	0%	\$ 20,415,285	5.1%
1/1/2012	\$ -	\$ 946,380	\$ 946,380	0%	\$ 16,289,890	5.8%

COUNTY OF ADAMS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 32,362,200	\$ 32,362,200	\$ 31,982,813	\$ (379,387)
Intergovernmental Revenues	1,804,102	1,804,102	2,320,633	516,531
Charges for Services	5,280,037	5,280,037	5,851,948	571,911
Interest and Rents	44,755	44,755	80,281	35,526
License and Permits	86,300	86,300	110,679	24,379
Court Costs and Fines	581,783	581,783	270,756	(311,027)
Other	400,354	400,354	635,745	235,391
Total Revenues	40,559,531	40,559,531	41,252,855	693,324
Expenditures				
Current:				
General Government - Administrative	9,233,709	9,233,709	10,045,060	(811,351)
General Government - Judicial	5,819,208	5,819,208	6,978,291	(1,159,083)
Public Safety	14,733,990	14,733,990	14,971,729	(237,739)
Public Works	199,101	199,101	163,466	35,635
Human Services	967,054	967,054	725,595	241,459
Culture and Recreation	907,909	907,909	443,837	464,072
Conservation and Development	1,782,109	1,782,109	893,254	888,855
Debt Service				
Interest	869,428	869,428	869,428	-
Capital Outlay	217,039	217,039	647,365	(430,326)
Total Expenditures	34,729,547	34,729,547	35,738,025	(1,008,478)
Excess of Revenues Over Expenditures	5,829,984	5,829,984	5,514,830	(315,154)
Other Financing Sources (Uses)				
Operating Transfer In	518,593	518,593	2,471,152	1,952,559
Operating Transfer (Out)	(6,341,198)	(6,341,198)	(7,190,580)	(849,382)
Swap Proceeds	-	-	90,582	90,582
Total Other Financing Uses	(5,822,605)	(5,822,605)	(4,628,846)	1,193,759
Net change in fund balances	7,379	7,379	885,984	878,605
Fund Balances - Beginning of Year	-	-	14,926,425	14,926,425
Fund Balances - End of Year	\$ 7,379	\$ 7,379	\$ 15,812,409	\$ 15,805,030

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CHILDREN AND YOUTH FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 5,736,696	\$ 5,736,696	\$ 5,526,959	\$ (209,737)
Interest and Rents	2,700	2,700	729	(1,971)
Miscellaneous	39,110	39,110	88,812	49,702
Total Revenues	<u>5,778,506</u>	<u>5,778,506</u>	<u>5,616,500</u>	<u>(162,006)</u>
Expenditures				
Current:				
Human Services	7,032,833	7,032,833	7,688,586	(655,753)
Total Expenditures	<u>7,032,833</u>	<u>7,032,833</u>	<u>7,688,586</u>	<u>(655,753)</u>
Excess of Revenues Under Expenditures	<u>(1,254,327)</u>	<u>(1,254,327)</u>	<u>(2,072,086)</u>	<u>(817,759)</u>
Other Financing Sources				
Operating Transfer In	1,254,327	1,254,327	2,072,086	817,759
Total Other Financing Sources	<u>1,254,327</u>	<u>1,254,327</u>	<u>2,072,086</u>	<u>817,759</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 BALANCE SHEET
 DECEMBER 31, 2012

Assets

Cash and Cash Equivalents	\$ 364,118
Investments	283,397
Due From Other Governments	61,332
Restricted Assets	
Cash for Debt Service	44,759
Investments for Debt Service	150,000
Cash for Stream & Watershed Preservation	32,405
Investments for Stream & Watershed Preservation	<u>411,057</u>
 Total Assets	 <u><u>\$ 1,347,068</u></u>

Fund Balances

Fund Balances	
Restricted for:	
Debt Service	\$ 194,759
Stream & Watershed Preservation	443,462
Program Purposes	<u>708,847</u>
 Total Fund Balances	 <u><u>\$ 1,347,068</u></u>

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues		
Intergovernmental Revenues	\$	346,745
Charges for Services		612,697
Interest		47,512
Other		<u>43,048</u>
Total Revenues		<u>1,050,002</u>
Expenditures		
Current:		
Conservation and Development		865,779
Debt Service		
Principal		171,046
Interest		<u>40,393</u>
Total Expenditures		<u>1,077,218</u>
Excess of revenues Under Expenditures		<u>(27,216)</u>
Other Financing Sources		
Operating Transfers In		<u>176,446</u>
Total Other Financing Sources		<u>176,446</u>
Excess of Revenues and Other Financing Sources Under Expenditures		149,230
Fund Balance - Beginning of Year		<u>1,197,838</u>
Fund Balance - End of Year	\$	<u><u>1,347,068</u></u>